

Cabinet – 16 July 2008

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 reflects the impacts of action plans in place to reduce expected overspends. The report highlights a predicted council wide overspend of c£0.8m, the reasons for which are highlighted in 4.6 below.

2. Recommendations

That the following currently predicted year end forecasts be noted:

- a net revised revenue overspend of up to £0.794m (0.12% of the current gross budget).
- a surplus of c £3.57m on the capital programme which is partly expected to be carried forward into 2009/10.
- To note that action continues to be taken to improve the current forecast outturn.

3. Background information

The RAG status of this report is amber as the forecast revenue outturn is an overspend of c £0.794m (0.12%) of the current gross budget. A number of actions are underway, which if successful are expected to improve this position. A year-end capital surplus of c £3.57m @ 31.3.09 is forecast, some of which is expected to be carried forward into 2009/10 to fund slippage on approved capital projects.

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.

4.2 General Reserves

If currently predicted overspends arise, year end general reserves would be c £6.83m as detailed below.

TABLE 1: PREDICTED YEAR END POSITION 2008/9	
REASON	2007/8 £M
General reserves as at 01.04.08 (pre-audit)	-7.776
Predicted revenue overspend (Appendix A)	0.794
Funding of one-off costs relating to print and design	0.150
Estimated general reserves @ 31.03.09	-6.832

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 £8m of efficiencies, increases in fees and charges and policy changes to reduce expenditure. To date £6.855m (85%) is expected to be realised in full. Further details are shown at **Appendix E** including details of those reductions not expected to be fully realised and the reasons for this.

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

Council approved investment of £6.5m which includes new investment and 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:

Neighbourhood Services +£0.134m

- Leisure, Culture and Lifelong Learning (+£0.141m) - catering (+£0.125m); due to non-achievement of budgeted management fees to be charged to schools. This formed part of the action plan taken to Cabinet to turn around the service in 2008/9 and prevent further overspends occurring. The charging of the fees was not approved and no alternative has yet been found. The remainder of the overspend relates to an unrealistic income target within management services which is to be addressed as part of the 2009/10 budget process.

Social Care and Inclusion + £0.531m

- Due to the delay in implementation, procurement savings will not be realised in full. The current forecast is that only 25% will be achieved. Project re-scoping is currently taking place and progress will be reported in future reports.

4.7 CAPITAL PROGRAMME 2007/8

4.7.1 Mainstream funded

The mainstream capital programme currently shows unspent resources of £3.57m (**Table 2**).

TABLE 2: MAINSTREAM PROGRAMME	
	£m
Capital programme approved by Cabinet 25 February 2008	23.573
Approved slippage	10.356
Total revised programme	33.929
Expenditure	
Actual expenditure as at 31 May 2008	1.509
Balance remaining at year (from cash flow forecasts)	28.848
Total forecasted capital expenditure for year	30.357
Unspent resources	3.572

4.7.2 Prudential Programme

In line with the treasury management strategy, in 2007/8, £9.49m additional unsupported borrowing was used as a more effective source of funding than capital receipts. This allowed capital receipts of £11.398m 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.

TABLE 3 : PRUDENTIAL PROGRAMME	
	£m
Resources	
Unsupported borrowing	4.437
Resources brought forward from 2007/8	0.904
Total estimated resources	5.341
Expenditure	
Actual expenditure as at 31 May 2008	0.218
Balance remaining for year (from cash flow forecasts)	3.449
Total forecasted capital expenditure for year	3.667
Unspent resources	1.674

4.7.3 Capital Receipts

Table 4 details the anticipated level of and utilisation of receipts in 2008/9. It is planned to carry forward a minimum of c £5m of capital receipts to support the 2009/10 capital programme.

TABLE 4 : CAPITAL RECEIPTS 2008/9		
Funding	Actual £m	Target £m
Capital receipts brought forward from 2007/8	11.398	5.000
Receipts received to date 2008/9	0.621	0.000
Additional receipts expected to be received	4.379	5.050
Total Capital receipts as at 31 May 2008	16.398	10.050
Utilisation of Capital receipts 2008/9	15.351	5.050
Capital receipts carry forward to 2009/10	1.047	5.000

4.7.4 Non-mainstream funded

The non-mainstream capital programme currently shows an unfinanced debtor of £6.624m to be carried forward to 2009/10 (**Table 5**). 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.

TABLE 5 : NON-MAINSTREAM FUNDED	
RESOURCES	£m
Grant received as at 31 May 2008	21.889
Forecasted grant to be received by 31 March 2009	17.193
Total forecasted resources	39.082
EXPENDITURE	
Actual expenditure as at 31 May 2008	0.791
Balance remaining for year (from cash flow forecasts)	38.681
Total forecasted capital expenditure for year	39.472
Unfinanced debtors brought forward from 2007/8	6.234
Unfinanced debtors to be carried forward to 2009/10	-6.624
Total capital commitment	39.082
Surplus/(shortfall) in forecasted non- mainstream resources	0.000

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. £0.259m of the leasing provision has been used to date and it is planned that a further £4.458m will be used in the current financial year.

TABLE 6 : LEASING PROGRAMME	£m
Resources available within the capital programme	4.717
Leasing provision utilised as at 31 May 2008	0.259
Leasing provision forecasted to be utilised by 31 March 09	4.458
Unspent resources	0.000

The prudential system allows borrowing to fund the purchase of leased items. This expenditure would be treated as capital expenditure and not revenue. This would mean the council would buy the assets outright. The decision to lease or buy depends on several variables, for example, the costs of borrowing and the residual value of the asset at the end of its leased life. Prior to each drawdown, the council's leasing advisors produce a report and recommendations as to which financing approach is most appropriate. A vigorous evaluation is then carried out before a decision to lease or buy is made, ensuring value for money in line with best value principles.

4.7.6 Capital Contingency

During a financial year a capital scheme may be introduced into the capital programme through the central contingency. **Table 7** shows the contingency utilised to date.

TABLE 7 : CAPITAL CONTINGENCY	£m
Resources available with capital programme	0.347
Additional resources made available	0.020
Provision utilised as at 31 May 2008	-0.149
Surplus contingency	0.218

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 amber.
- 8.2 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.
- 8.3 A number of assumptions have been made in the forecast figures by managers, including that corrective action plans continue to deliver reductions as planned. There are risks attached to this, which are highlighted in **Appendix D** that could impact adversely on the current position and which require continued active management. These amount to a total of £2.43m.

9. Equality implications

None directly associated with this report.

10. Consultation

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

Background papers: Various financial working papers.

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James Walsh – Chief Financial Officer

24 June 2008



Cllr A Griffiths – Finance and Personnel

24 June 2008

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 (DEFRA funded via RSG)	-17,848
Works at Gala baths for royal visit	-5,000
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
Balance remaining as at 31.03.09	374,009

APPENDIX C

USE OF EARMARKED RESERVES			
Reserve	Value of Reserve £	Currently expected to be used in year £	Balance remaining £
Community engagement LNPs	236,249	T.B.D	236,249
Oracle	261,672	-261,672	NIL
Transformation	323,357	-100,000	223,357
Landfill Tax Scheme	287,955	T.B.D	287,955
Education contract	129,843	-129,843	NIL
LABGI	2,028,131	-730,161	1,297,970
Mediation	250,000	250,000	NIL
Environmental warranties	400,000	NOT KNOWN	400,000
Commutation	2,528,998	T.B.D	2,528,998
Shop mobility	45,000	-45,000	NIL
New waste summer work / waste tipping	195,000	-195,000	NIL
Job evaluation manager / trade unions	100,000	-100,000	NIL
Building schools for the future	500,000	T.B.D	500,000
LATS – build up	117,000	T.B.D	117,000
Local land and property gazetteer	32,000	-32,000	NIL
Property review / Tameway Tower	110,000	-110,000	NIL
Criminal records bureaux	95,000	-95,000	NIL
Mayors civic awards	6,750	-6,750	NIL
Health and safety	1,000,429	T.B.D	NIL
Benefits subsidy	300,000	T.B.D	NIL
Insurance	779,130	T.B.D	779,130
Building control fees	126,745	T.B.D	126,745
Street lighting PFI	7,002,015	T.B.D	7,002,015
St Thomas Moore PFI	1,151,500	T.B.D	1,151,500
Total	18,006,774	-3,105,855	14,900,919

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

T.B.D. = to be determined

APPENDIX D

FINANCIAL RISK ASSESSMENT

DETAIL OF MEDIUM / HIGH RISK ITEMS	WORST CASE IMPACT £M
Neighbourhood services: <ul style="list-style-type: none"> Property services – costs on buildings / sites awaiting sale Property services – rationalisation of office accommodation Property services – under recovery of fee income Property services – legal costs Street pride – highways obsolete stock to be written off prior to partnership Street pride – additional hire costs of vehicles Bereavement service – shortfall in income due to changes in demand Leisure – under achievement of income within leisure centres Catering – under achievement of income Public protection – legal costs Engineering – under recovery of car parks income Various services – non achievement of 2008/9 efficiencies / fees and charges 	0.050 0.125 0.150 0.100 Awaiting figures 0.100 0.060 0.200 0.100 0.100 0.100 0.176
Social care and inclusion <ul style="list-style-type: none"> Links to work – historic overspend, action plan to be completed this financial year Transport charging – delay in implementation. Consultation process to commence in July 2008 assume 6 month delay <p>Managers are implementing other savings options to mitigate the risk of links to work overspend and transport charging delays, however at this time mitigation of the procurement savings is not in place.</p>	0.331 0.225
Regeneration: <ul style="list-style-type: none"> Shortfall on land charges income Shortfall on planning applications income Historical income budget around planning delivery grant 	0.185 0.074 0.053
Children & young people: Children's social services <ul style="list-style-type: none"> Family law cases – increased charges from April 2008 Direct payments 	0.180 0.120
TOTAL RISK IDENTIFIED	2.429

Whilst it is important and good practice to identify potential risks to the forecast outturn, these represent a worse case scenario and are being actively managed.

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	4.212	-2.263	1.949	4.212	-2.243	1.969	0.020	1.03	0.000	0.000	0.000	0.020	1.03	G	
Planning Services	2.516	-2.696	-0.181	2.532	-2.696	-0.164	0.016	-8.96	0.000	0.000	0.000	0.016	-8.96		
Performance Management	1.911	0.000	1.911	1.993	0.000	1.993	0.082	4.29	-0.082	0.000	0.000	0.000	0.00		
Strategic Transformation	0.706	0.000	0.706	0.741	0.000	0.741	0.035	4.95	-0.035	0.000	0.000	0.000	0.00		
Business support	8.798	-0.053	8.745	9.013	-0.053	8.960	0.215	2.46	-0.215	0.000	0.000	0.000	0.00		
Human Resource Development	6.341	-1.685	4.656	6.775	-1.685	5.091	0.435	9.33	-0.396	-0.017	0.000	0.022	0.46		
Communications	0.477	-0.068	0.409	0.477	-0.068	0.409	0.000	0.00	0.000	0.000	0.000	0.000	0.00		
Walsall Borough Strategic Partnership	0.508	-0.348	0.160	0.508	-0.348	0.160	0.000	0.00	0.000	0.000	0.000	0.000	0.00		
Total Regeneration	25.470	-7.113	18.357	26.252	-7.093	19.159	0.802	4.37	-0.728	-0.017	0.000	0.058	0.31		
Neighbourhood Services															
Street Pride	34.535	-15.774	18.761	35.357	-15.774	19.583	0.822	4.38	-0.572	-0.250	0.000	0.000	0.00	A	
Asset Management	20.239	-16.723	3.516	20.005	-16.723	3.282	-0.233	-6.64	0.233	0.000	0.000	0.000	0.00		
Engineering & Transportation	14.926	-5.789	9.137	14.894	-5.764	9.130	-0.007	-0.08	0.000	0.000	0.000	-0.007	-0.08		
Public Protection (inc. licensing, emergency planning, registrars and coroners)	5.592	-3.865	1.728	5.666	-3.898	1.768	0.040	2.33	0.000	-0.040	0.000	0.000	0.00		
Leisure, Culture and Lifelong Learning	30.863	-14.807	16.055	31.063	-14.667	16.396	0.341	2.12	-0.020	-0.180	0.000	0.141	0.88		
Neighbourhood / Programme Management	1.794	-0.580	1.214	1.794	-0.580	1.214	0.000	0.00	0.000	0.000	0.000	0.000	0.00		
Safer Walsall Borough Partnership	1.228	-0.102	1.126	1.363	-0.102	1.261	0.135	11.99	0.000	-0.135	0.000	0.000	0.00		
Total Neighbourhood Services	109.176	-57.640	51.536	110.141	-57.507	52.633	1.098	2.13	-0.359	-0.605	0.000	0.134	0.26		
Corporate															
Finance (inc internal audit, insurancel)	4.673	-0.356	4.317	4.960	-0.356	4.604	0.287	6.64	-0.287	0.000	0.000	0.000	0.00	G	
CWSS, NDC'S & C&DC	3.031	-0.544	2.487	3.031	-0.544	2.487	0.000	0.00	0.000	0.000	0.000	0.000	0.00		
CMT	1.119	-0.002	1.117	1.119	-0.002	1.117	0.000	0.00	0.000	0.000	0.000	0.000	0.00		
Legal and consitutional	3.125	-0.262	2.863	3.132	-0.262	2.870	0.007	0.24	-0.007	0.000	0.000	0.000	0.00		
Revenue & benefits (incl. welfare services)	98.773	-95.862	2.912	98.773	-95.862	2.912	0.000	0.00	0.000	0.000	0.000	0.000	0.00		
Total Corporate	110.722	-97.026	13.695	111.015	-97.026	13.989	0.293	2.14	-0.293	0.000	0.000	0.000	0.00		
Children's, ICT and Procurement Services															
Education	242.864	-233.271	9.593	243.836	-233.397	10.439	0.846	8.82	-0.846	0.000	0.000	0.000	0.00	A	
Specialist services	27.297	-2.729	24.568	28.003	-3.370	24.633	0.065	0.27	0.000	0.000	0.000	0.065	0.27		
Universal services	11.903	-6.450	5.453	12.113	-6.660	5.453	0.000	0.00	0.000	0.000	0.000	0.000	0.00		
Print and design	0.870	-1.368	-0.498	0.784	-1.125	-0.341	0.157	-31.47	-0.150	0.000	0.000	0.007	-1.33		
ICT	4.476	-0.281	4.195	4.388	-0.276	4.112	-0.083	-1.98	0.083	0.000	0.000	0.000	0.00		
Procurement	-1.632	0.000	-1.632	-1.632	0.000	-1.632	0.000	0.00	0.000	0.000	0.000	0.000	0.00		
Total Children's, ICT and Procurement Services	285.778	-244.099	41.679	287.493	-244.828	42.664	0.985	2.36	-0.913	0.000	0.000	0.072	0.17		
Social Care & Inclusion															
Housing	11.900	-10.224	1.676	11.900	-10.224	1.676	0.000	0.00	0.000	0.000	0.000	0.000	0.00	R	
Adults social care	97.628	-37.163	60.465	98.226	-37.163	61.063	0.598	0.99	-0.067	0.000	0.000	0.531	0.88		
Support Services	1.800	0.000	1.800	1.800	0.000	1.800	0.000	0.00	0.000	0.000	0.000	0.000	0.00		
Total Social Care & Inclusion	111.329	-47.387	63.942	111.927	-47.387	64.540	0.598	0.94	-0.067	0.000	0.000	0.531	0.83		
Centrally Held Budgets															
Capital Financing	22.279	-3.616	18.663	22.279	-3.616	18.663	0.000	0.00	0.000	0.000	0.000	0.000	0.00	G	
Other Central Items	6.150	0.000	6.150	6.750	0.000	6.750	0.600	9.76	-0.600	0.000	0.000	0.000	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	41.829	-3.616	38.212	42.429	-3.616	38.812	0.600	1.57	-0.600	0.000	0.000	0.000	0.00		
Net Position as at 31.03.09	684.303	-456.881	227.421	689.256	-457.458	231.798	4.377	1.92	-2.960	-0.622	0.000	0.794	0.35		

PROGRESS ON IMPLEMENTATION OF SAVINGS/EFFICIENCIES APPROVED 2008/9

FEES AND CHARGES				
DIRECTORATE	APPROVED £	EXPECTED TO ACHIEVE BY 31.03.09	VARIANCE	%
Neighbourhood	339,000	339,000	0	0.00
Regeneration	48,000	48,000	0	0.00
Social Care and Inclusion	0	0	0	0.00
Children and Young People	0	0	0	0.00
Corporate Services	0	0	0	0.00
TOTAL	387,000	387,000	0	0.00

EFFICIENCIES / SAVINGS				
DIRECTORATE	APPROVED £	EXPECTED TO ACHIEVE BY 31.03.09	VARIANCE	%
Neighbourhood	1,633,500	1,633,500	0	0.00
Regeneration	954,314	938,141	16,173	0.22
Social Care and Inclusion	1,678,000	1,678,000	0	0.00
Children and Young People	2,652,000	2,652,000	0	0.00
Corporate Services	279,000	279,000	0	0.00
Centrally held	200,000	200,000	0	0.00
TOTAL	7,396,814	7,380,641	16,173	0.22

FYE OF PREVIOUS YEARS SAVINGS				
DIRECTORATE	APPROVED £	EXPECTED TO ACHIEVE BY 31.03.09	VARIANCE	%
Neighbourhood	173,139	173,139	0	0.00
Regeneration	-137,000	-137,000	0	0.00
Social Care and Inclusion	-20,000	-20,000	0	0.00
Children and Young People	0	0	0	0.00
Corporate Services	0	0	0	0.00
TOTAL	16,139	16,139	0	0.00

SUMMARY OF SAVINGS / EFFICIENCIES				
DIRECTORATE	APPROVED £	EXPECTED TO ACHIEVE BY 31.03.08	VARIANCE	%
Neighbourhood	2,145,639	2,145,639	0	0.00
Regeneration	865,314	849,141	16,173	0.21
Social Care and Inclusion	1,658,000	1,658,000	0	0.00
Children and Young People	2,652,000	2,652,000	0	0.00
Corporate Services	279,000	279,000	0	0.00
TOTAL	7,599,953	7,583,780	16,173	0.21

APPENDIX E

DETAILS OF VARIANCES - EFFICIENCIES			
Directorate	Service Area	£	Reason for variance
Regeneration	Land Charges	16,173	Information support officer post not deleted
TOTAL		16,173	