

## **Cabinet – 24 July 2013**

### **Corporate Financial Performance 2013/14**

**Portfolio:** Councillor C Towe – Resources (Lead Portfolio)

**Related Portfolios:** All

**Service:** Finance – council wide

**Wards:** All

**Key decision:** No

**Forward plan:** No

#### **1. Summary of report**

- 1.1 The report details the year-end forecast for revenue and capital, which is based on the financial position for the first quarter of the year (to 30 June 2013). The report sets out an expected position broadly in line with the budget (currently showing a small projected revenue overspend of £29k). The capital programme is currently forecast to be underspent by £108k.

#### **2. Recommendations**

2.1 Cabinet are requested to:

- Note the revenue position is broadly in line with the budget (a small net overspend of £29k, equivalent to c0.03% of the net council tax requirement).
- Note the current transfer of windfall income which is maintained centrally to manage any unexpected pressures which may arise over and above normal budgetary provision.
- Note pressures arising, particularly in children's services, as set out in section 4.5, which may require some additional budgetary provision in year if corrective action cannot fully mitigate the position.
- Note the forecast underspend on the mainstream capital programme, after re-phasing, of £108k, to be utilised to support a combination of reserve list items in 2013/14 and/or the funding of 2014/15 capital programme.
- Note the amendments to the capital programme in section 4.8.
- Note the financial health indicators for quarter 1, as summarised in **Appendix 1**.

#### **3. Background information**

- 3.1 Cabinet receive regular financial reports to allow it to monitor the financial performance of the council and consider plans for corrective action. It is not unusual for there to be projected variances during the course of the year. The council has a strong track record of managing financial pressures and maintaining financial stability is a key organisational requirement.

#### 4. Resource and legal considerations

4.1 Managers are required to deliver their service targets and improvements within budget. The status of this report is green overall, although individual services are reporting pressures, as set out below.

#### 4.2 General Reserves

General reserves are expected to be broadly in line with the medium term financial strategy.

#### 4.3 Progress of efficiencies/fees and charges/policy changes/new investment 2013/14

Council approved a total of £15.9m of planned savings with £13.04m being new savings and £2.86m being full year effects of previous years' savings. To date, £900k has been identified as not being fully, however action plans have been put in place to mitigate these with the exception of £150k within children's service which cannot be found due to an increased demand on the service.

#### 4.4 Revenue Budget 2013/14

The current revenue forecast for 2013/14 is a small overspend of £29k or c0.03% of the net council tax requirement.

**Table 1** summarises the 2013/14 budget and forecast outturn.

<b>Table 1: Forecast revenue analysis 2013/14 by directorate</b>			
<b>Directorate</b>	<b>Budgeted Spend £m</b>	<b>Predicted year end forecast £m</b>	<b>Variance – Over / (Under) £m</b>
Children's Services	53.56	55.05	1.49
Neighbourhood Services	43.79	44.10	0.31
Regeneration	5.86	5.74	(0.12)
Resources	24.27	24.44	0.17
Social Care and Inclusion	66.53	66.53	0
<b>Net Service Position</b>	<b>194.01</b>	<b>195.86</b>	<b>1.85</b>
Capital Financing	23.13	23.13	0
Central budgets	31.44	29.62	(1.82)
<b>Net Budget Position</b>	<b>248.58</b>	<b>248.61</b>	<b>0.03</b>
RSG / Baseline / Top Up	(163.03)	(163.03)	0.00
<b>Net Council Tax Requirement *</b>	<b>85.55</b>	<b>85.58</b>	<b>0.03</b>

*\* The budget is required to be shown as a council tax requirement i.e. as the amount of budget required to be financed by council tax. This change was implemented by Central Government.*

4.5 The main reason for the variances are:

- Children's services – costs have risen due to increased demand for looked after children's services and agency costs. A corrective action plan is currently being produced but there is a risk this will not fully mitigate the overspend, therefore additional budget provision may be required for this area.
- Neighbourhood services – due to expected under recovery of car park income.

- Regeneration – due to reduced costs of agency, supplies and services and holding of vacant posts within Markets.
- Resources – overspends with Money, Home and Job due to the requirement of additional agency staff, partly offset by under spends elsewhere within the directorate.
- Social Care and inclusion – due to high demand and loss of income there are pressures of c£3.5m within the service. An action plan has been identified which fully mitigates all pressures for 2013/14.
- Central – review of leasing budgets has resulted in a forecast underspend of c £1m based on predicted delivery of the vehicle replacement programme. Should the underspend outturn at this level, a permanent budget virement will be undertaken to remove this in 2014/15. There are further underspends arising from reduced costs of professional fees and external audit costs.

4.6 A number of services have identified overachievement of income against budget or receipt of unexpected income totalling £735k. This income is currently assumed to be transferred to earmarked reserves, in line with the approved windfall income protocol.

4.7 Local Authority Mortgage Scheme (LAMS)

Cabinet agreed to adopt the LAMS scheme in conjunction with Lloyds on 24 October 2012 and this was formally approved by Council on 22 February 2013. The scheme is designed to support first time buyers by reducing the deposit they need to purchase a home. The scheme requires the Council to place a matching five year deposit to the life of the indemnity of a mortgage. To date 12 mortgage applications have been received, of which 6 mortgage offers have been made and one further is expected to be concluded shortly.

4.7 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 in January 2013 and included within the council's budget for 2013/14 would result in a deficit on the collection fund. The council would bear 49% of the overall deficit which would need to be included in the budget process for 2014/15 to make good the shortfall of income. This is currently being monitored. It is too early in the year to predict an overall outcome on the collection fund and therefore financial position of the council.

4.8 Capital Programme 2013/14

The capital programme reported to Council on 21 February 2013 totalled £40.19m. Amendments have taken place since that date and these are detailed in **Table 2** overleaf, resulting in a revised programme of c£80.60m.

<b>Table 2 : Capital Programme 2013/14</b>	
	<b>£m</b>
<b>Capital programme 2013/14 per Council 21 February 2013</b>	<b>40.19</b>
<b>Council Funded Resources - amendments</b>	
Carry forwards from 2012/13 (approved by June Cabinet)	6.38
Willenhall Lane Cemetery extension feasibility work – revenue funded	(0.12)
<b>Prudential - amendments</b>	
Carry forwards from 2012/13 (approved by June Cabinet)	3.02
Smarter Workplaces - previously agreed by Cabinet	0.40
Darlaston Strategic Development Area Access (DSDA) – previously agreed by Cabinet	1.02
<b>Specifically Funded / Grant Schemes - amendments</b>	
Carry forwards from 2012/13 (approved by June Cabinet)	31.58
Low Emission Town and Cities – grant not received	(0.10)
Basic need – confirmation of funding	(0.94)
Disabled Facilities grant – confirmation of funding	0.01
Devolved formula capital – confirmation of funding	(0.10)
Capital maintenance – confirmation of funding	(0.78)
Local Transport Plan – confirmation of funding	0.04
<b>Revised capital programme 2013/14</b>	<b>80.60</b>

A further amendment has been made which relates to New Invention Car Park. The cost of the scheme of £110k has been funded from contingency and has no impact on the total of the capital programme.

There may be further amendments to specific schemes following the approval of bids and confirmation of funding, which will be reported to Cabinet as they occur.

- 4.9 **Table 3** summarises the 2013/14 capital programme and an early forecast outturn after the rephrasing of projects into 2014/15:-

<b>Table 3: Forecast capital analysis 2013/14</b>					
<b>Directorate</b>	<b>Budget £m</b>	<b>Predicted year end forecast £m</b>	<b>Variance before Carry forward £m</b>	<b>Carry Forward £m</b>	<b>Variance Over / (Under) £m</b>
Council funded	20.61	19.95	(0.66)	0.55	(0.11)
Externally Funded	59.99	47.53	(12.46)	12.46	0.00
<b>Total</b>	<b>80.60</b>	<b>67.48</b>	<b>(13.12)</b>	<b>13.01</b>	<b>(0.11)</b>

- 4.10 The council funded part of the capital programme currently shows predicted re-phasing of c£0.55m from 2013/14 to 2014/15 as shown in **table 4**.

<b>Table 4: Re-phasing 2013/14 to 2014/15</b>	
<b>Project</b>	<b>£m</b>
Walsall arboretum restoration programme – programme extended till December 2015	0.35
Finance Direct/Oracle – project spilt over 2 financial years	0.04
Delivering right fast and simple – project delays	0.13
Bring your own device security layers – project delayed 6 months	0.03
<b>Total</b>	<b>0.55</b>

- 4.11 Additionally, the council funded element of the capital programme currently shows predicted underspends of c £0.11m as shown in **Table 5**. This will be utilised to support a combination of reserve list items in 2013/14 and/or the funding of 2014/15 capital programme. There is also a further £300k for risk management and self-insured property damage which to date has no spend against them but due to the nature of these areas spend could occur at any time and these are therefore not currently shown as underspends.

<b>Table 5: Underspends/savings 2012/13</b>	
<b>Project</b>	<b>£m</b>
Walsall Arboretum restoration programme – illumination park proposal	0.11
<b>Total</b>	<b>(0.11)</b>

#### 4.12 Risk Assessment

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 having a high level of certainty of occurring total c£3.468m, however these are being actively managed to minimise any impact on the financial forecast for the year.

#### 4.13 Financial Health Indicators

The quarterly review of financial health indicators is shown at **Appendix 1**. This summarises the following:-

- Strong treasury management performance for 2012/13, and forecast for 2013/14.
- Strong balance sheet financial performance for 2012/13 compared to 2011/12 and 2010/11.
- Above estimated target council tax and business rate collection rates.
- Strong sundry debtors collection rates, showing average of 26 days in 2012/13 to collect debt.
- Strong creditor performance showing an average of 12 days in 2012/13 to pay creditor invoices.
- Revenue and capital position for 2012/13 and forecast for 2013/14.
- Capital receipts received in 2012/13, and forecast for 2013/14.

## **5. Citizen impact**

- 5.1 Demonstration of financial stability and sound financial management promotes public confidence and credibility.

## **6. Community safety**

- 6.1 None directly associated with this report.

## **7. Environmental impact**

- 7.1 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 green.
- 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. 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.

## **9. Equality implications**

- 9.1 None directly associated with this report.

## **10. Consultation**

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

**Background papers:** Various financial working papers.

### **Contacts:**

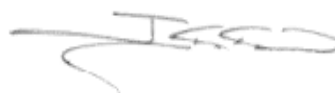
Vicky Buckley - ☎ 01922 652349 [buckleyv@walsall.gov.uk](mailto:buckleyv@walsall.gov.uk)  
Stuart Wootton - ☎ 01922 652348 [woottons@walsall.gov.uk](mailto:woottons@walsall.gov.uk)  
Jennie Collier - ☎ 01922 652350 [collierj@walsall.gov.uk](mailto:collierj@walsall.gov.uk)

Signed:



James Walsh  
Assistant Director – Finance (CFO)  
15 July 2013

Signed:



Councillor Towe  
Portfolio holder – Resources  
15 July 2013

**Appendix 1**  
**Financial Health Indicators**

<b>Treasury Management</b>	<b>2012/13 Actual</b>	<b>2013/14 Target</b>	<b>2013/14 Actual</b>
Average Interest Rate (Borrowing)			
- Excluding OLA	4.53%	4.52%	4.53%
- Including OLA	4.67%	4.63%	4.67%
Gearing Effect on Capital Financing Estimates	2%	5%	1.19%
Net Borrowing Costs / Net Budget Requirement	3%	11.5%	4.2%
Capital Financing Requirement £m	299.452	319.279	306.152
Authorised limit for external Debt (£m)	319.724	351.207	351.207
Investment Rate Average	2.1%	1%	1.4%

<b>Balance Sheet Ratios</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13 (pre -audit)</b>
Current Assets : Current Liabilities	2.28	2.70	2.72
Useable Reserves : General Revenue Expenditure			
Assuming Revenue Expenditure is equal to Net Operating Expenditure (2008/09)	0.29	0.49	0.59
IFRS introduction in 2009/10 changes general revenue expenditure to = net cost of service + other operating expenditure + finance and investment expenditure (2009/10 and 2010/11)			
Long Term Borrowing : Tax Revenue			
Using only council tax for tax revenue	2.63	2.45	2.43
Using both council tax and NNDR for tax revenue	1.25	1.25	1.13
Long Term Assets : Long Term Borrowing	1.83	1.89	1.83
Total School Reserves : Dedicated School Grant	0.06	0.07	0.08

<b>Revenues Performance</b> % collected for financial year	<b>2012/13 Actual</b>	<b>2013/14</b>	
		<b>Profiled Qtr</b>	<b>Actual</b>
Council tax %	96.4%	28%	27.5%
National Non Domestic Rate %	96.6%	32%	34%
Total Council Tax collected (£m)	£89,214,510	£27,069,049	£26,585,674
Total NNDR collected (£m)	£66,830,057	£23,315,816	£24,251,328
Sundry Debtors Collection – Average number of days to collect debt	26 days	30 days	26 days
Average number of days to process creditor payments	11.92 days	14 days	12.3 days

<b>Management of Resources</b>	<b>Actual 2012/13</b>	<b>2013/14</b> (budget for monitoring)		
		<b>Target</b>	<b>Actual (pre-audit)</b>	<b>Variance</b>
<b>Service Analysis</b>	<b>Pre-audit</b>			
Children's Services	52,613,725	53,556,519	55,043,047	1,486,528
Neighbourhood Services	60,547,614	43,792,767	44,104,886	312,119
Regeneration	17,280,082	5,862,496	5,745,251	(117,245)
Social Care & Inclusion	67,500,397	66,535,141	66,535,141	0
Resources	7,798,112	24,237,172	24,404,263	167,091
Council Wide	31,177,268	54,595,391	52,776,333	(1,819,058)
RSG/NNDR	(129,164,992)	(163,027,571)	(163,027,571)	0
<b>Total</b>	<b>107,752,206</b>	<b>85,551,915</b>	<b>85,581,350</b>	<b>29,435</b>
General Reserves	<b>16,611,535</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Council Funded Capital Expenditure	15,568,567	16,167,620	15,926,184	241,436
Grant Funded Capital Expenditure	31,719,243	59,989,233	47,526,533	12,462,700
Prudential Expenditure	4,874,928	4,439,383	4,022,200	417,183
<b>Total Capital Expenditure</b>	<b>52,162,738</b>	<b>80,596,236</b>	<b>67,474,917</b>	<b>13,121,319</b>
Capital Receipts	3,239,165	1,500,000	1,500,000	0