

**12 MARCH 2019**

**Forecast Revenue and Capital Outturn for 2018/19 – Quarter 3 period ended 31 December 2018**

**Ward(s)** All

**Portfolios:** All - specifically in relation to Resources and Transformation -  
Cllr M Bird – Leader of the Council  
Cllr A Andrew – Regeneration (Money Home Job)  
Cllr G Perry – Community Leisure and Culture (Partnerships)  
Cllr A Harris – Personnel and Business Support

**Executive Summary:**

This report summarises the forecast revenue and capital financial position for 2018/19, based on the position to December 2018, both for the council as a whole, and for services within the remit of the Scrutiny Overview committee in relation to the Resources and Transformation directorate.

The revenue position is a forecast overspend of £1.24m for the council as a whole, but a predicted underspend of £448k for Resources and Transformation, as reported in the Corporate Financial Performance report to Cabinet on 13 February 2019.

The capital position is a forecast underspend of £18.44m for the council as a whole, of which £15.94m is proposed to be carried forward into 2019/20 (subject to approval at year end) – net underspend of £2.5m. For Resources and Transformation, we predict an underspend of £3.12m of which £2.75m is expected to be requested to be carried forward into 2019/20 – net underspend of £368k.

**Reason for scrutiny:**

To inform the committee of the forecast financial position for 2019/20, to allow the scrutiny of the financial performance of the council and the services within the committee's remit.

**Recommendations:**

**That:**

1. The committee is recommended to note the forecast 2018/19 year-end financial position for the council as a whole – a predicted revenue overspend of £1.24m and net capital underspend of £2.5m after proposed carry forwards into 2019/20. Action continues to be taken, and there is confidence that sufficient ongoing and one off actions will be identified to bring the revenue position back in line with the approved budget. £2.36m of the capital underspend has been utilised to part fund the 2019/20 capital programme as reported to Cabinet on 24 October 2018, and the balance will be set aside for part funding of enhancements to car parking provision at Oak Park Active Living Centre, as approved by Cabinet on 13 February 2019. Ongoing

pressures have been included within the 2019/20 budget report to Council on 28 February 2019.

2. The committee is recommended to note the forecast 2018/19 year-end financial position for services within the remit of this committee – a predicted net revenue underspend of £448k and net capital underspend of £368k after proposed carry forwards into 2019/20.

### **Background papers:**

- Various financial working papers.
- Corporate Budget Plan 2017/18 to 2020/21, and Treasury Management and Investment Strategy 2018/19 Onwards, as reported to Council on 28 February 2018.
- Corporate Financial Performance 2018/19, as reported to Cabinet on 13 February 2019.

### **Resource and legal considerations:**

The 2018/19 budget was approved by Council on 28 February 2018, and is monitored and reported throughout the year to address key risks and pressures as they arise. Cabinet receives regular financial reports to allow it to oversee the financial performance of the council.

### ***Council wide position***

A number of significant risks and pressures have emerged during 2018/19 that has required action to be taken to limit the council's exposure, mainly within Adult Social Care and Children's Services. These are being managed via a combination of one-off actions (use of earmarked reserves, use of one-off grant, Every Penny Counts exercise) and ongoing actions (review of existing budgets and realignments where feasible). After corrective action, there remains a predicted revenue variance above budget of c£1.24m, as reported to Cabinet on 13 February 2019, with the detail shown at **Appendix 1**.

The above potentially impacts on general reserve balances. General reserves were £15.23m as at 1 April 2018. A year-end overspend of £1.24m would reduce reserves to £13.99m. The recommendation of the S151 officer in the report to Cabinet on 13 February 2019 is for a minimum of £13.8m to cover increased risk. At this point, management are confident that the outturn position will be brought back in line with budget, and therefore no replenishment of reserves is anticipated.

The capital position is a forecast underspend of £18.44m for the council as a whole, of which £15.94m is proposed to be carried forward into 2019/20, thus a net underspend of £2.5m. £2.36m of the capital underspend has been utilised to part fund the 2019/20 capital programme as reported to Cabinet on 24 October 2018, and the balance will be set aside for part funding of enhancements to car parking provision at Oak Park Active Living Centre, as approved by Cabinet on 13 February 2019. Details provided at **Appendix 1**.

### ***Position for services within the remit of this committee***

The forecast outturn for the Resources and Transformation directorate as at the end of December 2018, is an underspend of £448k against budget. This position incorporates the use of £1.85m of earmarked reserves.

The total capital programme is £20.60m. Forecast spend of £17.48m leaves an underspend of £3.12m of which £2.75m is projected to be carried forward into 2019/20, leaving an adjusted net underspend of £368k.

Further details are shown in **Appendix 2**.

### **Council Corporate Plan Priorities:**

In order to meet the council's purpose and vision, the council will be focussing its' energy over the next four years on the following key priorities, recognising that it must do so with decreased and decreasing resources and concentrating efforts on those most in need:

- **Economic growth** for all people, communities and businesses.
- **People** have increased independence, improved health and can positively contribute to their communities.
- **Internal Focus** – all council services are efficient and effective.
- **Children** have the best possible start and are safe from harm, happy, healthy and learning well.
- **Communities** are prospering and resilient with all housing needs met in safe and healthy places that build a strong sense of belonging and cohesion.

### **Citizen impact:**

Resource allocation is aligned with service activity and is undertaken in accordance with the council's corporate plan priorities.

### **Environmental impact:**

The impact on the environment is considered in all aspects of financial forecasting.

### **Performance management:**

Financial performance is considered alongside service performance. Managers are required to deliver their services within budget and there are comprehensive arrangements in place to monitor and manage this.

### **Reducing inequalities:**

Services consider equality issues in setting budgets and delivering services. Irrespective of budgetary pressures the council must fulfil its equal opportunities obligations.

### **Consultation:**

Consultation was undertaken as part of the budget setting process and throughout the financial year on the financial position and reporting thereof.

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## Forecast year end position 2018/19 – Walsall Council

### Revenue

**Table 1** summarises the 2018/19 revenue budget and the draft outturn after successful delivery of corrective actions (based on the December forecast).

<b>Table 1: Forecast revenue analysis 2018/19 by Directorate</b>			
<b>Directorate</b>	<b>Net Budget £m</b>	<b>Year end forecast £m</b>	<b>Forecast Variation to Budget (Under) / Over £m</b>
Adult Social Care	60.03	61.16	1.13
Children's Services	54.12	54.53	0.41
Economy & Environment	31.01	31.16	0.15
Resources & Transformation	30.00	29.55	(0.45)
<b>Services Position</b>	<b>175.16</b>	<b>176.40</b>	<b>1.24</b>
Capital Financing	18.67	18.67	0.00
Central budgets	(78.84)	(78.84)	0.00
<b>Total council tax requirement</b>	<b>114.99</b>	<b>116.23</b>	<b>1.24</b>

The main variances are as follows and these have been reported extensively to Cabinet and the relevant Scrutiny committee during the year. This is the second financial monitoring report to Scrutiny Overview committee.

- *Adult Social Care (ASC)* - The current net forecast position, after the net use of reserves and prior to any mitigating action, would be an overspend of £3.75m, which results from unachieved/ delayed delivery of savings and areas of spend which carry a high risk. After mitigating actions of £1.72m, and the use of £0.9m of Winter Funding grant, this reduces the net overspend to £1.13m.
- *Children's Services* – The current forecast overspend prior to any mitigating action and use of reserves is £2.81m. Corporate and earmarked reserves are being utilised to fund specific agreed items, reducing the forecast overspend to £1.73m. The directorate has implemented an action plan of (£1.32m), reducing the net forecast position to an overspend of £407k. These in year actions relate mainly to general efficiencies across the directorate and release of investment. The main pressures continue to be children's social care demand pressures, including increases in the need for legal support, social care support and social care assessments, along with demand for home to school transport.
- *Economy and Environment* - currently forecast to be overspent by £148k. This primarily relates to pressures within the domestic and garden waste collection service, co-mingled waste contract, asset management saving delays and depot cost pressures; offset by underspends on other disposal costs, including tonnage and performance fees.
- *Resources and Transformation* - currently predicting an under-spend of £448k. This is mainly within Money Home Job and ICT, offset by continuing pressures within IFM for centralised maintenance and energy costs.

### Capital

**Table 2** summarises the 2018/19 capital programme and forecast outturn after the re-phasing of projects into 2019/20.

<b>Table 2: Forecast capital analysis 2018/19</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	45.86	37.32	(8.54)	6.04	(2.50)
Externally Funded	65.95	56.05	(9.90)	9.90	0.00
<b>Total</b>	<b>111.81</b>	<b>93.37</b>	<b>(18.44)</b>	<b>15.94</b>	<b>(2.50)</b>

The council funded element of the capital programme currently shows a predicted underspend of £2.5m after carry forwards of £6.04m, as listed in **table 3**. £2.36m of the underspend has been allocated to fund the 2019/20 capital programme as reported to Cabinet on 24 October 2018. The balance of £0.14m will be set aside to part fund the enhancements to car parking provision at Oak Park Active Living Centre as approved by Cabinet on 13 February 2019.

<b>Table 3: (Underspends)/Overspend 2018/19</b>	
<b>Project</b>	<b>£m</b>
Schemes that support essential works including health and safety	0.03
Aids and Adaptations – maximising grant	(0.05)
Darlaston Town Hall – asbestos and fire safety works	(0.04)
Council House – modern secure reception	(0.07)
Replacement of obsolete analogue weather stations	(0.01)
Walsall Market pending master plan	(1.83)
Darlaston SDA	(0.08)
Walsall Town Centre Public Realm	(0.10)
Data Centre power backup	(0.04)
ICT wide area network	(0.03)
ICT payment card data security	(0.01)
ICT open software Government on line	(0.01)
Council House Cellar tanking	(0.01)
Council House drainage survey	(0.01)
Solar PV panels	(0.14)
Schools kitchen project	(0.04)
Walsall Town Hall roofing	(0.06)
<b>Total</b>	<b>(2.50)</b>

The council funded element of the capital programme currently shows predicted re-phasing of £6.04m from 2018/19 to 2019/20 as shown in **table 4**. Re-phasing occurs for a number of reasons such as late confirmation of grant approvals, timing of projects that may fall over more than one financial year, contract delays out of our control as awaiting funding or Government approval, etc.

<b>Table 4: Re-phasing of Council funded schemes 2018/19 to 2019/20</b>	
<b>Project</b>	<b>£m</b>
Fryers Road Sprinkler System	0.25
District Town Centre's Public Realm Improvements	1.26
Walsall Market	0.03
Town and District Centres Public Realm – to be used to support Town Centre master plan	0.77
Hatherton Road Car Park	0.21
Civic Centre heating	0.90
Council House rewiring	0.75
Procurement system for (HRMS) and Oracle EBS financials	1.14
Broadway West Playing Fields	0.04
Regenerating Walsall	0.20
Saddlers Centre Shopping Centre	0.40
St Peter Church repairs to surrounding wall	0.02
Challenge Block	0.02
Rushall Olympic Football Club	0.01
Mosaic Implementation (Phase 3)	0.04
<b>Total</b>	<b>6.04</b>

## **Forecast year end position 2018/19 – Resources and Transformation**

### **Revenue**

The forecast revenue outturn for 2018/19 for the services under the remit of the Scrutiny Overview committee is an under-spend of £448k, net of the use of earmarked reserves, as shown in **Table 5**. The forecast revenue outturn shown is based on actual information from the Oracle system as at the end of December 2018, and discussions with managers regarding year end forecast and achievement of approved savings.

<b>Table 5: Forecast revenue analysis 2018/19 by Service</b>			
<b>Directorate</b>	<b>Annual Net Budget £m</b>	<b>Year-end forecast £m</b>	<b>Forecast Variation to Budget (Under) / Over £m</b>
Communities & Partnership	1,973	1,947	(26)
Housing Standards & Improvements	168	141	(27)
Integrated Facilities Management	5,063	5,514	451
Money Home Job	5,503	4,633	(870)
<b>Subtotal Business Change</b>	<b>12,707</b>	<b>12,235</b>	<b>(472)</b>
Democratic Services	1,295	1,330	35
Electoral Services	508	625	117
Legal	1,779	1,853	74
<b>Subtotal Legal &amp; Democratic Services</b>	<b>3,582</b>	<b>3,808</b>	<b>226</b>
Human Resources	2,467	2,380	(87)
<b>Subtotal Human Resources</b>	<b>2,467</b>	<b>2,380</b>	<b>(87)</b>
Finance	4,274	4,228	(46)
Payroll & Pensions	110	110	0
Information, Communication and Technologies	6,170	6,065	(105)
Procurement	695	731	36
<b>Subtotal Finance / ICT</b>	<b>11,249</b>	<b>11,134</b>	<b>(115)</b>
<b>Total Resources and Transformation</b>	<b>30,005</b>	<b>29,557</b>	<b>(448)</b>

Total earmarked reserves of £4.73m are available for use in 2018/19 (where approval has been given by Cabinet for additional funds for specific services). Within the reported outturn position a total of £1.85m of earmarked reserves are forecast to be used. It is expected that this figure will rise during the year as levels of activity become clearer.

The main variances are summarised in **Table 6** below.



**Table 6 – Reasons for revenue forecast variance**

<b>Service</b>	<b>Variance £'000</b>	<b>Explanation of Year End Forecast</b>
Communities & Partnership	(26)	Holding posts vacant ahead of restructure
Democratic Services	35	Pressure on salaries and traffic regulation order costs
Electoral Services	117	Forecast £34k pressure relating to salaries, and £22k reduction in canvas grant. £61k further overspends on postage and other supplies and services
Finance	(46)	(£67k) underspend in finance offset by £21k one off overspend on external training and recruitment expenses in CMT
Payroll & Pensions	0	No variance
Housing Standards & Improvements	(27)	(£20k) underspend on salaries and (£17k) forecast overachievement of income, part offset by £10k non pay pressures.
Human Resources	(87)	Overall saving on employee costs (£21k) and additional income of (£66k)
Information, Communication and Technologies	(105)	Underspend relating to reduced outwork on print and design, increased traded income from schools and corporate assurance staffing underspend.
Integrated Facilities Management	451	Overspend relating to centralised maintenance, and cleaning, partly offset by staffing and other underspends within service
Legal	74	Overspend on supplies and services with agency staff pressure offset by vacancies
Money Home Job	(870)	(£682k) forecast overpayment recovery based on achievement to date, (£142k) movement in overpayment debtor, (£146k) forecast reduction of recovery costs, (£217k) re Housing Benefit subsidy and (£247k) overachievement of court cost income. Part offset by £251k on IT system costs, £223k overspend on housing costs, £162k on agency staff, and (£72k) across various non pay elements
Procurement	36	Staffing cost pressure due to temporary staff working on delayed Adult Social Care and Highways procurement
<b>Resources &amp; Transformation outturn</b>	<b>(448)</b>	

Where overspends are predicted, managers are required to identify remedial action that can be made within the service, and to report this as part of an action plan. Work to identify mitigating actions is in progress. It is expected that the majority of the forecast overspends within services will be mitigated in year through efficiencies in the directorate as a whole.

Included within the directorate budget for 2018/19 are £1.15m of approved savings, as shown in **table 7** below –

**Table 7: Delivery of 2018/19 approved savings – Resources and Transformation**

<b>Saving</b>	<b>Total savings</b>	<b>Delivered (Blue)</b>	<b>To be delivered by 31/03/19 (Green)</b>	<b>Not fully guaranteed (Amber)</b>	<b>Not achieved (Red)</b>
Charging for Appointeeships	15,000		15,000		
Reduction in grant to Citizens Advice Bureau	57,458	57,458			
Increase in income by the Insurance team	26,313		26,313		
Review and restructure in Finance and Financial Administration	65,472	65,472			
Review of staffing in Legal Services	31,612	31,612			
Restructure / efficiencies within Human Resources	101,470		31,470		70,000
Review of HR contracts - full year effect of 2017/18 approved savings	5,250		5,250		
Efficiency savings within ICT	60,321			60,321	
Efficiency savings across Procurement	8,783	8,783	0		
Review & efficiencies across Money Home Job	300,000	246,297	53,703		
Dividend review - Birmingham Airport - full year effect of 2017/18 approved savings	304,453	77,941	226,512		
Treasury management - review of debt portfolio - full year effect of 2017/18 approved savings	173,855	173,855			
<b>Total approved savings</b>	<b>1,149,987</b>	<b>661,418</b>	<b>358,248</b>	<b>60,321</b>	<b>70,000</b>

These savings are tracked as follows –

- Blue (delivered) - **£662k**
- Green (on track to be delivered with no issues) - **£358k**
- Amber (not fully guaranteed but no major issues expected) - **£60k**. Management action is required to ensure these are delivered or action plans in place; £60k ICT efficiencies are expected to be covered from underspends within the service.
- Red (high risk of not being achieved) - **£70k** - agreed to defer the full £101k efficiencies within Human Resources to 2019/20 due to support required during the change process, part mitigated by a one off carry forward of £70k from 2017/18, with a requirement for the balance to be found within service.

### **Capital**

The capital programme for the directorate, as at the end of December 2018, is expected to carry forward £2.75m into 2019/20 with a net underspend of £368k. A list of schemes is shown in **Table 8**:

**Table 8 – Capital Outturn 2018/19 – Resources and Transformation**

<b>SCHEME</b>	<b>2018/19 Budget £</b>	<b>Estimated Outturn £</b>	<b>Variance £</b>	<b>Carry forward to 2019/20 £</b>	<b>(Underspend) / overspend £</b>
<b>Council Funded schemes</b>					
CCTV	255,999	255,999	0	0	0
Aids and adaptations	343,382	300,000	(43,382)	0	(43,382)
Bentley Community Facility	10,000	10,000	0	0	0
Darlaston Recreation Ground	0	148	148	0	148
Darlaston Town Hall-asbestos & fire safety works	99,900	99,900	0	0	0
Improving security in local neighbourhoods	2,927	2,927	0	0	0
HR Trent upgrades	7,229	7,229	0	0	0
IT Trent Upgrade 2016	26,806	26,806	0	0	0
ICT Wide Area Network	283,661	253,661	(30,000)	0	(30,000)
ICT-Safe and Secure Environment	7,374,081	7,374,081	0	0	0
Data backup system replacement	50,000	50,000	0	0	0
Data Centre Power Backup	309,220	269,220	(40,000)	0	(40,000)
Digital mailroom	113,306	113,306	0	0	0
Essential microsoft upgrades & foundation for Office 365	274,336	274,336	0	0	0
Essential refurbishment Council's digital data storage facilities	100,000	100,000	0	0	0
Essential upgrade to Windows 2003	64,070	64,070	0	0	0
Essential warranty extension & eventual replacement of hardware for Council's finance system	16,325	16,325	0	0	0
High Level Parapet wall-Sneyd Vernon Way	94,350	94,350	0	0	0
Money home job core IT system	45,651	45,651	0	0	0
Refurbishment of Orchard Pavilion	210,000	210,000	0	0	0
Payment Card Industry Data Security	6,140	0	(6,140)	0	(6,140)
Replace Open Software Local Government Online	10,000	0	(10,000)	0	(10,000)
Service improvement single mobile device management solution (removal Blackberry technology)	51,000	51,000	0	0	0

SCHEME	2018/19 Budget £	Estimated Outturn £	Variance £	Carry forward to 2019/20 £	(Underspend) / overspend £
Finance Direct/Oracle	11,382	11,382	0	0	0
Council house cellar tanking	50,000	40,000	(10,000)	0	(10,000)
Council house drainage survey	18,300	3,436	(14,864)	0	(14,864)
Replace heating & ventilation system within link block	83,021	83,021	0	0	0
Solar panels	142,863	0	(142,863)	0	(142,863)
Civic centre essential maintenance	13,526	13,526	0	0	0
Civic centre heating	1,199,818	299,954	(899,864)	899,864	0
Community Association Refurbishments	77,958	77,958	0	0	0
Council house building management system (BMS)	70,000	70,000	0	0	0
Council house rewiring	999,909	249,978	(749,931)	749,931	0
Schools catering project	483,235	448,235	(35,000)	0	(35,000)
Transformation Programme	455,000	455,000	0	0	0
Walsall Council House-modern secure reception	106,000	106,000	0	0	0
Walsall Town Hall-roofing repair system	61,500	0	(61,500)	0	(61,500)
Procurement system for (HRMS) and Oracle EBS financials	2,759,854	1,659,845	(1,100,009)	1,100,009	0
Willenhall Lane Travellers Site	85,000	85,000	0	0	0
Health through warmth and related Retro Fit schemes	134,135	134,135	0	0	0
Allocation of health and safety works	723,836	749,851	26,015	0	26,015
<b>Externally Funded schemes</b>					
Disabled facilities grant	2,943,208	2,943,208	0	0	0
Off gas scheme	430,602	430,602	0	0	0
<b>Total Capital – Resources and Transformation</b>	<b>20,597,530</b>	<b>17,480,140</b>	<b>(3,117,390)</b>	<b>2,749,804</b>	<b>(367,586)</b>

In 2017/18, due to a range of streamlining processes and changes in eligibility on a national level, the mainstream funding for aids and adaptations was not fully utilised. The surplus was used to fund other schemes in the capital programme and offset pressures in centrally funded schemes. It is currently predicted that £415k of the original £715k allocation for Aids and Adaptations will not be required in 2018/19. Cabinet on 5 September 2018 agreed to utilise £371k of this underspend to fund council match funding towards DfT grant for pothole works, and improvement works to facilities in the Arboretum. Total council funding of £300k is forecast to be required in 2018/19 which will be reviewed alongside the need to maximise external Disabled Facilities Grant funding.

All schemes funded from external sources will be maximised where possible in year to minimise any payback.

£350k of the reported underspend has been earmarked to support the funding of the 2019/20 capital programme which was reported to Cabinet on 13 February 2019.