

## Cabinet – 02 July 2014

### Corporate Financial Performance 2014/15

**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 details the year-end forecast for revenue and capital, which is based on the financial position as at 31 May 2014. The report sets out:

- A potential revenue overspend of £0.322m, after use of reserves and assuming successful delivery of corrective action plans produced to date to mitigate in year pressures.
- Requests for use of £602k (table 2) of windfall income, unringfenced grant and an unused earmarked reserve *should they be needed*, which at this point would mitigate the overspend and deliver a small underspend of £0.28m, as set out in table 1.
- That directorates continue to work on mitigating action to reduce areas of overspend.
- A number of amendments to the capital programme for approval, as set out in table 3 of the report.
- The capital programme is expected to be balanced, with some phasing of projects on the council funded element of the capital programme of £3.12m and a further £8.79m on externally funded projects into 2015/16, which is normal practice due to the timing of receipt of grant versus delivery of projects.

#### 2. Recommendations

2.1 Cabinet are requested to:

- Note the pressures outlined in the report and that directorate corrective action plans have been produced to mitigate the potential overspend down to £0.322m.
- Approve the action not to appoint an efficiency partner and to approve the alternative action as set out in section 3.3.2.
- Approve in principle, as part of the corrective action, use of £602k of windfall income, unringfenced grant and an unused earmarked reserve, as set out in table 2, section 3.4, to reduce the potential overspend *should this be needed* to mitigate the position further. Based on the forecast to date, this would currently deliver a small underspend of £0.28m as set out in table 1.

- Note action being taken to manage the cost pressures arising.
- Note the risks to the forecast.
- Note re-phasing of £3.12m on council funded and £8.79m on externally funded projects from 2014/15 to 2015/16.

### 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 2014/15

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 (£3.44m) and Social Care (£1.76m). Given the size and diversity of the organisation, the functions and services provided and the demand placed on it, it is not unusual for there to be projected variances during the course of any financial year.

The current level of pressures are such that, if not managed, they could result in a potential overspend of £5.10m. However, we are at an early stage of the financial year, 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 2014/15 budget and forecast outturn, including £5.38m of corrective action being taken to mitigate the pressures.

**Table 1: Forecast revenue analysis 2014/15 by Directorate**

Directorate	Net Budget £m	Year end forecast £m	Forecast Under/ Over- spend £m	Mitigating Action £m	Revised year end forecast £m	Forecast Under/ Over- spend £m
Children's Services	48.95	52.39	3.44	(2.90)	49.49	0.54
Neighbourhood Services	40.94	41.08	0.14	(0.14)	40.94	0.00
Regeneration	5.72	6.04	0.32	(0.32)	5.72	0.00
Resources	22.50	22.62	0.12	(0.12)	22.50	0.00
Social Care & Inclusion	60.72	62.48	1.76	(1.90)	60.58	(0.14)
Capital Financing	22.93	22.92	(0.01)	0.00	22.92	(0.01)
Central budgets	(115.00)	(115.67)	(0.67)	0.00	(115.67)	(0.67)
<b>Total council tax requirement</b>	<b>86.76</b>	<b>91.86</b>	<b>5.10</b>	<b>(5.38)</b>	<b>86.48</b>	<b>(0.28)</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.

### 3.3 Pressures and Corrective Action

- 3.3.1 *Children's Services* – the two causes for the forecast position on children's services relate to demand on looked after children (LAC) services (£1.61m), including the supplementary costs of LAC such as disability packages, contact and support and adoption allowances; and recruitment difficulties in securing social workers, requiring the need to use temporary agency staff (£1.83m), both of which are national as well as local issues.

Placements costs are driven principally by a budget based on LAC numbers of 560 against current numbers of 616. There is ongoing work to reduce the number of LAC where possible and reduce the cost of placements through more effective and efficient purchasing arrangements. Children's have produced an action plan in these areas which mitigate the pressures by £1.320m, leaving £2.122m of further actions required, however there are some risks to delivery of these, for example, one key action is dependent on a reduction in LAC numbers to 585 by 31 March 2015.

Further actions totaling £1.578m have been identified, leaving a revised potential overspend of £544k. These actions include a review of existing commissioning activity, reduction in taxi costs, reviewing use of grant such as care matters and SEN in relation to staffing, review of charges and a non-essential expenditure freeze on non pay budgets, review of early years budget, and use of an unused earmarked reserve, some expected windfall income and new un-ringfenced grant.

- 3.3.2 *Social Care and inclusion (SCI)* – Adult social care has also experienced pressures arising from service demands and cost pressures and has identified ongoing actions to deal with c£4.8m of pressures which arose in 2013/14. One of those actions was the appointment of an efficiency partner to assist SCI to drive through cost savings. A review of this approach has been undertaken and the conclusion is that proceeding with an efficiency partner is not the best option for Walsall. Approval is therefore sought to replace this with two alternative initiatives, focussed on increasing income collection and reducing commissioning through a new approach to social work, which will deliver quick and sustainable results.

Further pressures have arisen, including income received from benefits based charging and the timing of reviews of respite and response. Pressures total £1.925m but are offset by other variances totalling £163k, resulting in a net forecast overspend of £1.76m.

An action plan has been developed to mitigate these pressures in year, which is estimated to leave the directorate with a forecast underspend of £140k. However, there are a number of risks to this forecast including assumptions that there are no additional costs arising from new care packages or changes in care needs (net of reductions in care needs elsewhere) or unfunded costs arising during the winter period.

- 3.3.3 *Neighbourhood Services* – the directorate is currently forecast to outturn with a small overspend of £139k which is mainly due to increased waste costs and income shortfalls. An action plan to fully mitigate the overspend has been produced which covers a recruitment freeze across clean and green services and generation of additional income in creative development.
- 3.3.4 *Regeneration* – net pressures total £324k including a short-term one-off shortfall of Walsall markets income (net £155k) due to reduced uptake of stalls and reduced

rents linked to the move. Property services are additionally forecasting a £205k overspend due to a reduction in design & project management fees (£140k) and part of the schools crossing patrol saving is not expected to be achieved in full as consultation is ongoing. These pressures are partly offset by vacancies in planning & building control. An action plan to fully mitigate the overspend has been produced, including a delay in recruitment to some vacant posts, removal of agency staff, a reduction in supplies and services spend and a review of procurement activity.

3.3.5 *Resources* - pressures arising in Money Home Job has lead to a forecast variance of £667k, mainly in relation to an increase in uncontrollable costs in relation to housing benefits for vulnerable clients where the full costs are not reimbursed to the Council through housing benefit subsidy. This is offset in year by underspends elsewhere in the directorate, including posts being held vacant pending a review of support services. A further one-off receipt of £120k of income will ensure the directorate will fully mitigate the pressures.

3.3.6 *Central* – this underspend is due to a reduction in leasing costs as it has been more cost effective to purchase vehicles than to lease them.

3.3.7 Work is continuing corporately to manage the pressures and mitigate their impact and action plans will be closely monitored and progress reported regularly to CMT and members.

#### 3.4 Use of windfall income, grant and reserves

As part of the directorate action plans one-off windfall/additional income, use of reserves no longer required and use of an un-ringfenced grant has been identified and these are detailed in table 2 overleaf. Cabinet approval is requested for these to be used to offset the current pressures should they be needed.

<b>Directorate</b>	<b>Details</b>	<b>£</b>
Children's	Additional income from buy back of services	70,000
Children's	Un-ringfenced grant in relation to troubled families: payment by results.	240,000
Children's	Earmarked reserve allocated for transition of children's centres no longer required	107,000
Neighbourhood Services	Additional income from trade waste services	45,000
Regeneration	Additional income from planning fees	20,000
Resources	Additional income relating to temporary staff contract with Starting Point	120,000
<b>Total</b>		<b>602,000</b>

#### 3.5 Local Authority Mortgage Scheme (LAMS)

Up to the end of May 2014, 33 mortgages have been supported through the LAMs scheme using £671,425 of the indemnity cover and a further 5 mortgages applications are being processed which when completed will use up a further £90,188.

#### 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 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 2015/16 to make good the shortfall of income. The current position on the collection fund is a deficit of £0.770m which relates to 2013/14 of which Walsall will have to fund £0.377m. No further change is predicted at this time. Further updates will be provided to Cabinet during the year.

### 3.7 Capital Programme 2014/15

The capital programme approved by Council on 27 February 2014 totalled £40.68m. Table 3 summarises amendments made resulting in a revised programme of £72.11. Where projects are shown to be funded via RCCO this is a revenue contribution to capital.

<b>Table 3 : Amendments to Capital Programme 2014/15</b>	
	<b>£m</b>
<b>Capital programme 2014/15 per Council 27 February 2014</b>	<b>40.68</b>
<b>Council Funded Resources</b>	
Approved carry forwards from 2013/14	7.83
Remodelling of Rushall Primary & EDC – re-profiling of budget into 2015/16	-0.35
<b>Prudential</b>	
Approved carry forwards from 2013/14	3.59
<b>Specifically Funded / Grant Schemes</b>	
Approved carry forwards from 2013/14	30.66
Darlaston Strategic Development Area – confirmation of funding	-4.99
Black Country PIP – RCCO funded element	-0.01
Disabled facilities grant – confirmation of funding	-0.24
Community capital capacity grant – confirmation of funding	-0.01
A461 Corridor highway improvements scheme / major transport schemes programme – bid not approved	-0.16
Two year old capital funding	0.17
Local transport plan – confirmation of funding	0.06
Black Country PIP – reduction in external funding due to lower demand	-5.12
<b>Revised capital programme 2014/15</b>	<b>72.11</b>

3.71 Table 3 summarises the 2014/15 capital programme and an early forecast outturn after the re-phasing of projects into 2015/16.

<b>Table 3: Forecast capital analysis 2014/15</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	28.11	24.99	(3.12)	3.12	0.00
Externally Funded	44.00	35.21	(8.79)	8.79	0.00
<b>Total</b>	<b>72.11</b>	<b>60.20</b>	<b>(11.91)</b>	<b>11.91</b>	<b>0.00</b>

3.72 The council funded element of the capital programme currently shows predicted re-phasing of c£3.12m and a further £8.79m in relation to externally funded projects from 2014/15 to 2015/16 as shown overleaf in tables 4 and 5. Re-phasing occurs for a number of reasons such as late confirmation of grant approvals, timing of projects

which may fall over more than one financial year, contract delays out of our control as we are awaiting funding or Government approval, etc.

<b>Table 4 : Re-phasing of Council funded schemes 2014/15 to 2015/16</b>	
<b>Project</b>	<b>£m</b>
Primark / Co-op Development	0.08
Regenerating Walsall	0.17
Walsall Market	0.20
Darlaston Strategic Development area	2.67
<b>Total</b>	<b>3.12</b>

<b>Table 5 : Re-phasing of externally funded schemes 2014/15 to 2015/16</b>	
<b>Project</b>	<b>£m</b>
Willenhall THI (HLF)	0.27
Basic Need	3.48
Devolved Formula Capital	1.25
Capital Maintenance	2.83
Reedswood Park	0.03
Arboretum Restoration Project	0.92
Waste Infrastructure Grant	0.01
<b>Total</b>	<b>8.79</b>

#### **4. Council Priorities**

- 4.1 The budget is set following council priorities, including the implementation of Marmot objectives to help direct existing resources.

#### **5. Risk Management**

- 5.1 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.
- 5.2 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£3.02m and these are being actively managed to minimise any impact on the financial forecast for the year.

#### **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.

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27 June 2014

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27 June 2014