

**25 NOVEMBER 2019****Forecast Revenue and Capital Outturn for 2019/20 – 5 month position ended 31 August 2019****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 B Chatta – Personnel and Business Support

**Executive Summary:**

This report summarises the forecast revenue and capital financial position for 2019/20, based on the position to August 2019, 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 £1.40m for the council as a whole, £85k of which relates to Resources and Transformation, as reported in the 2019/20 Corporate Financial Performance section of the Draft Revenue Budget 2019/20 – 2022/23 report to Cabinet on 23 October 2019.

The capital position is a forecast underspend of £22.44m for the council as a whole, which is proposed to be carried forward into 2020/21 (subject to approval at year end). For Resources and Transformation, we predict an under spend of £3.09m, which is expected to be requested to be carried forward into 2020/21.

**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. Note the forecast 2019/20 year-end financial position for the council as a whole – a predicted net revenue overspend of £1.40m and net capital outturn within budget after proposed carry forwards into 2020/21. 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. Ongoing pressures are being addressed alongside the setting of the 2020/21 budget in February 2020.
2. Note the forecast 2019/20 year-end financial position for services within the remit of this committee – a predicted net revenue overspend of £85k and net capital outturn within budget after proposed carry forwards into 2020/21.

**Background papers:**

- Various financial working papers.
- Corporate Budget Plan 2018/19 to 2021/22, and Treasury Management and Investment Strategy 2019/20 Onwards, as reported to Council on 28 February 2019.
- Draft Revenue Budget 2019/20 – 2022/23, as reported to Cabinet on 23 October 2019.

**Resource and legal considerations:**

The 2019/20 budget was approved by Council on 28 February 2019, 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 2019/20 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, general efficiencies) and ongoing actions (review of existing budgets and realignments where feasible). After corrective action, there remains a predicted revenue variance above budget of c£1.40m, as reported to Cabinet on 23 October 2019, with the detail shown at **Appendix 1**.

The above potentially impacts on general reserve balances. General reserves are currently £14.09m - a year-end overspend of £1.40m would reduce reserves to £12.69m. The recommendation of the S151 officer in the budget report to Council in 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 £22.44m for the council as a whole, which is proposed to be carried forward into 2020/21 (subject to approval at year end).

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 August 2019, is a net overspend of £85k against budget. This position is net of the use of earmarked reserves, and inclusive of a £362k directorate action plan.

The total capital programme is £16.64m. Forecast spend of £13.55m leaves an under spend of £3.09m, which is projected to be carried forward into 2020/21 (subject to approval at year end).

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.

## **Contact Officers:**

James Walsh - Executive Director, Resources and Transformation, ☎ 652322,

✉ [James.Walsh@walsall.gov.uk](mailto:James.Walsh@walsall.gov.uk)

Ross Hutchinson – Deputy Head of Finance, ☎ 658411,

✉ [Ross.Hutchinson@walsall.gov.uk](mailto:Ross.Hutchinson@walsall.gov.uk)

Stuart Wootton – Financial Planning Manager, ☎ 652348,

✉ [Stuart.Wootton@walsall.gov.uk](mailto:Stuart.Wootton@walsall.gov.uk)

## **Forecast year end position 2019/20 – Walsall Council**

### **Revenue**

**Table 1** summarises the 2019/20 revenue budget and the draft outturn after successful delivery of corrective actions (based on the August forecast).

<b>Table 1: Forecast revenue analysis 2019/20 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	61.37	61.80	0.43
Children's Services	54.64	55.17	0.53
Economy & Environment	30.14	30.49	0.35
Resources & Transformation	31.07	31.16	0.09
<b>Services Position</b>	<b>177.22</b>	<b>178.62</b>	<b>1.40</b>
Capital Financing	18.91	18.91	0.00
Central budgets	(74.75)	(74.72)	0.00
<b>Total council tax requirement</b>	<b>121.38</b>	<b>123.78</b>	<b>1.40</b>

The main variances are as follows :-

- *Adult Social Care (ASC)* - The current net forecast position, after the use of reserves and prior to any mitigating action is an over spend of £757k which results from delayed delivery of savings, and areas of spend increase as a result of demand. After mitigating actions of £323k the forecast position is an over spend of £434k.
- *Children's Services* - The current net forecast position, after the net use of reserves and prior to mitigating action, would be an over spend of £1.57m, which results from delayed delivery of savings, use of agency across Children's Social Care and increases in demand for home to school transport. After mitigating actions of £1.04m the forecast position is an over spend of £532k.
- *Economy and Environment* - The current net forecast position, after use of reserves and prior to any mitigating action is an over spend of £355k. This primarily relates to income shortfalls within Active Living Centers', Bereavement Services, Sports Development and Planning, along with the non-achievement of the 2019/20 saving for district libraries review of staffing following the delay in implementation of OpenPlus.
- *Resources and transformation* - currently predicting an overspend of £85k. This is mainly within IFM for centralised maintenance and cleaning costs and electoral services administration costs.

## **Capital**

**Table 2** summarises the 2019/20 capital programme and forecast outturn after the re-phasing of projects into 2020/21.

<b>Table 2: Forecast capital analysis 2019/20</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	32.34	28.74	(3.60)	3.60	(0.00)
Externally Funded	87.46	68.62	(18.84)	18.84	(0.00)
<b>Total</b>	<b>119.80</b>	<b>97.36</b>	<b>(22.44)</b>	<b>22.44</b>	<b>(0.00)</b>

The council funded element of the capital programme currently shows a predicted underspend of £3.60m, with £18.84m on externally funded schemes, all of which is forecast to be requested to be carried forward to 2020/21.

**Table 3** summarises the council funded schemes forecast to be rephased into 2020/21. 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 3: Re-phasing of Council funded schemes 2019/20 to 2020/21</b>	
<b>Project</b>	<b>£m</b>
ICT-Safe and Secure Environment	1.30
ICT-Safe and Secure Environment Wyse	0.60
Proud - ICT	0.13
School Estate Condition Survey	0.25
School Temporary Classrooms	0.25
Civic Centre heating	0.58
Council House rewiring	0.49
<b>Total</b>	<b>3.60</b>

## Forecast year end position 2019/20 – Resources and Transformation

### Revenue

The forecast revenue outturn for 2019/20 for the services under the remit of the Scrutiny Overview committee is an overspend of £85k, net of the use of earmarked reserves and directorate action plan within Business Change, as shown in **Table 4**. The forecast revenue outturn shown is based on actual information from the Oracle system as at the end of August 2019, and discussions with managers regarding year end forecast and achievement of approved savings.

<b>Table 4: Forecast revenue analysis 2019/20 by Service</b>			
<b>Directorate</b>	<b>Annual Net Budget £m</b>	<b>Year-end forecast £m</b>	<b>Net Forecast Variation to Budget (Under) / Over £m</b>
Communities & Partnership	1.814	1.805	(0.009)
Housing Standards & Improvements	0.183	0.162	(0.021)
Integrated Facilities Management	5.199	5.368	0.169
Money Home Job	5.165	5.100	(0.065)
<b>Subtotal Business Change</b>	<b>12.361</b>	<b>12.434</b>	<b>0.073</b>
Democratic Services	1.309	1.330	0.021
Electoral Services	0.515	0.623	0.108
Legal	1.781	1.782	0.001
<b>Subtotal Legal &amp; Democratic Services</b>	<b>3.605</b>	<b>3.735</b>	<b>0.130</b>
Human Resources	2.529	2.503	(0.026)
<b>Subtotal Human Resources</b>	<b>2.529</b>	<b>2.503</b>	<b>(0.026)</b>
Information, Communication and Technologies	6.802	6.757	(0.045)
Proud PMO	0.685	0.685	(0.000)
<b>Subtotal ICT / Transformation</b>	<b>7.487</b>	<b>7.442</b>	<b>(0.045)</b>
Finance	4.287	4.274	(0.013)
Payroll & Pensions	0.093	0.083	(0.010)
Procurement	0.702	0.678	(0.024)
<b>Subtotal Finance/Payroll/Procurement</b>	<b>5.082</b>	<b>5.035</b>	<b>(0.047)</b>
<b>Total Resources and Transformation</b>	<b>31.065</b>	<b>31.150</b>	<b>0.085</b>

Total earmarked reserves of £5.942m are available for use in 2019/20 (where approval has been given by Cabinet for additional funds for specific services). Within the reported outturn position a total of £2.522m 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 5** below.

<b>Table 5 – Reasons for revenue forecast variance</b>		
<b>Service</b>	<b>Variance £m</b>	<b>Explanation of Year End Forecast</b>
Communities & Partnership	(0.009)	Salary underspend (£227k) due to vacant posts held until end of year and other minor underspends (£44k). <b>This (£262k) used to fund Business Change action plan.</b>
Housing Standards & Improvements	(0.021)	(£40k) forecast underspend relating to salaries due to current vacancies, and part offset by HMO income shortfall of £19k.
Integrated Facilities Management	0.169	£251k pressure relating to maintenance, £200k relating to cleaning services provided internally, £32k pressure on catering income mainly associated with school meals, £17k pressure on the post room due to increased rates of charges and £30k pressure relating to unachieved saving relating to box office income. <b>All this is partly offset from the business change action plan £362k.</b>
Money Home Job	(0.065)	Forecast overachievement of HB Subsidy Overpayment Recovery of (£343k) and Landlord Direct Recovery of (£188k). Part offset by £124k IT systems costs, £113k overspend on Professional Fees, £70k pressure on greater reduction of HB Admin Grant than had been provided for in MTFO and £60k across various areas of the service. <b>(£100k) used to fund Business Change action plan.</b>
Democratic Services	0.021	This is due to historical regrades due to job evaluations and vacancy management £24k over on salaries, (£3k) under on other supplies and services.
Electoral Services	0.108	Staff numbers increased due to recommendation by AEA due to authority size, approx. £35k. Postage costs increased by £45k over the last 6 years since the last stand alone local election. Reduction in expected grant - pressure of £28k in 18/19.
Human Resources	(0.026)	Over spend on salaries £93k offset by additional income of (£125k) and minimal over spend on supplies and services £5k.
Information, Communication and Technologies	(0.045)	Underspend relating to reduced outwork on print and design, reduced costs on general materials.
Finance	(0.013)	£24k forecast underachievement of insurance income - this is offset by (£13k) under spend on salaries and (£24k) under spend on supplies and services budgets.
Payroll & Pensions	(0.010)	(£7k) additional traded schools income and (£3k) under spend on supplies and services.
Procurement	(0.024)	£213k overspend on agency staff - covered by (£237k) under spend on salaries through vacant posts.
<b>Resources &amp; Transformation outturn</b>	<b>0.085</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 2019/20 are £1.54m of approved savings, as shown in **table 6** below –

<b>Table 6: Delivery of 2019/20 approved savings – Resources and Transformation</b>					
<b>Saving</b>	<b>Total savings</b>	<b>Delivered (Blue)</b>	<b>To be delivered by 31/03/20 (Green)</b>	<b>Not fully guaranteed (Amber)</b>	<b>Not achieved (Red)</b>
Reduction in grant to Citizens Advice Bureau	45,966	0	0	0	45,966
Review and restructure in Finance and Financial Administration	65,003	0	65,003	0	0
Review of staffing in Legal Services	62,433	0	62,433	0	0
Restructure / efficiencies within Human Resources	102,197	0	0	102,197	0
Efficiency savings across Procurement	17,340	17,340	0	0	0
Review & efficiencies across Money Home Job	764,000	254,667	509,333	0	0
Additional income from realignment of budgets with traded services activity to match 2017/18 actual income received	168,795	60,016	78,779	0	30,000
Dividend review - Birmingham Airport - full year effect of 2018/19 approved savings	311,437	0	311,437	0	0
<b>Total approved savings</b>	<b>1,537,171</b>	<b>332,023</b>	<b>1,026,985</b>	<b>102,197</b>	<b>75,966</b>

These savings are tracked as follows –

- Blue (delivered) - **£332k**.
- Green (on track to be delivered with no issues) - **£1.027m**.
- Amber (not fully guaranteed but no major issues expected) - **£102k**. Management action is required to ensure these are delivered or action plans in place; Relates to the restructuring of Human Resources (note a further £101k carried forward from 2019/20 to be delivered).
- Red (high risk of not being achieved) - **£76k** – £45k relates to CAB where funding levels have been maintained to continue to deliver essential services, currently mitigated by holding vacant posts within Communities; £30k relates to unachieved events income with action plan to be advised.

## **Capital**

The capital programme for the directorate, as at the end of August 2019, is £16.645m. Forecast spend of £13.550m leaves an underspend of £3.095m, which is projected to be carried forward into 2020/21 (subject to approval at year end). A list of schemes is shown in **Table 7**. All schemes funded from external sources will be maximised where possible in year to minimise any payback.



**Table 7 – Capital Outturn 2019/20 – Resources and Transformation**

<b>SCHEME</b>	<b>2019/20 Budget £</b>	<b>Estimated Outturn £</b>	<b>Variance £</b>	<b>Carry forward to 2020/21 £</b>	<b>(Underspend) / overspend £</b>
<b>Council Funded schemes</b>					
Bentley Community Facility	10,000	10,000	0	0	0
CCTV	268,511	268,511	0	0	0
Improving security in local neighbourhoods	2,927	2,927	0	0	0
Refurbishment of Orchard Pavilion	148,350	148,350	0	0	0
Council Chamber Refurbishment	200,000	200,000	0	0	0
Procurement system for (HRMS) and Oracle EBS financials	2,317,471	2,317,471	0	0	0
Aids and adaptations (statutory element)	400,000	400,000	0	0	0
Health through warmth and related Retro Fit schemes	75,000	75,000	0	0	0
Data backup system replacement	50,000	50,000	0	0	0
Data Centre Power Backup	266,730	266,730	0	0	0
Essential microsoft upgrades & foundation for Office 365	274,336	274,336	0	0	0
Essential refurb Council's digital data storage facilities	41,588	41,588	0	0	0
Essential upgrade to current supported version of windows server	10,381	10,381	0	0	0
Essential warranty extension & eventual replacement of hardware for Council's finance system	16,325	16,325	0	0	0
ICT-Safe and Secure Environment	3,727,557	2,427,557	(1,300,000)	1,300,000	0
ICT-Safe and Secure Environment Wyse	1,810,892	1,210,892	(600,000)	600,000	0
ICT Wide Area Network	12,462	12,462	0	0	0
Proud - ICT	200,000	70,000	(130,000)	130,000	0
Resource & consultancy to upgrade Win2008 server	200,000	200,000	0	0	0
Single mobile devices for use within the new in-Tune platform	51,000	51,000	0	0	0
Asbestos Removal	75,191	75,191	0	0	0
Council House General Heating	50,000	50,000	0	0	0

SCHEME	2019/20 Budget £	Estimated Outturn £	Variance £	Carry forward to 2020/21 £	(Underspend) / overspend £
Council House Smoke & Heat Detection Fire Alarm	333,000	333,000	0	0	0
Operation Repair & Maintenance of Council Buildings	500,000	500,000	0	0	0
Planned property maintenance	42,542	42,542	0	0	0
Print & Design upgraded lighting & ventilation system	24,000	24,000	0	0	0
Safe water supplies	90,602	90,602	0	0	0
Statutory Testing	257,499	257,499	0	0	0
Civic Centre heating	1,146,646	573,323	(573,323)	573,323	0
Community Association Refurbishments	59,718	59,718	0	0	0
Council House BMS	68,296	68,296	0	0	0
Council House rewiring	983,542	491,771	(491,771)	491,771	0
Darlaston Town Hall-asbestos & fire safety works	18,400	18,400	0	0	0
Fire risk assessment	258,002	258,002	0	0	0
Schools Project	244,005	244,005	0	0	0
Walsall Council House-modern secure reception	44,550	44,550	0	0	0
Willenhall Lane Travellers Site	85,000	85,000	0	0	0
<b>Externally Funded schemes</b>					
Disabled facilities grant	1,973,225	1,973,225	0	0	0
Off Gas Scheme	307,771	307,771	0	0	0
<b>Total Capital – Resources and Transformation</b>	<b>16,645,519</b>	<b>13,550,425</b>	<b>(3,095,094)</b>	<b>3,095,094</b>	<b>0</b>