

Cabinet – 17 March 2010

Corporate Financial Performance 2009/10

Portfolio: Councillor C Towe – Finance and Personnel

Service: Finance – council wide

Wards: All

Key decision: No

Forward plan: No

1. Summary of report

- 1.1 This report is to inform Cabinet of the year-end forecasts for revenue and capital. The report highlights a revenue overspend of £1.989m, an improvement since the position last reported to Cabinet in January of c £2m due to robust corrective action taken by Service Managers. Reasons for movements between the January report and this report are highlighted in **Annex A**. The capital programme is currently forecast to be underspent by c £5.469m due to rephasing and slippage of projects into 2010/11.

2. Recommendations

2.1 That Cabinet:

- Note a net revenue overspend of c £1.989m (0.26% of the current gross budget) which includes the effects of identified corrective action plans and the effects of non essential expenditure restraint.
- Note and approve the earmarking of £0.100m general reserves to fund costs arising from additional pot hole repairs due to the recent adverse weather conditions.
- Note that opening reserves for 2010/11 will be in line with those set out in the medium term financial strategy (MTFS).
- Note slippage/underspends on the capital programme of £5.469m, the majority of which is expected to be required to be carried forward into 2010/11, subject to Cabinet approval at year-end.
- Note amendments to the capital programme since the programme was approved by Council on 23 February 2009, as set out in table 3.

3. Background information

- 3.1 Cabinet receives regular financial reports to allow it to monitor the financial performance of the council and consider plans for corrective action. Maintaining financial stability is a key requirement.

4. Resource and legal considerations

4.1 Managers are required to deliver their service targets and improvements within budget. The RAG status of this report is Red. Continued action is being taken to reduce the impact of these pressures. The reason for the pressures largely arises from the impact of national and local economic conditions.

4.2 General Reserves

The budget for 2010/11 approved by Council on 22 February 2010 included replenishment to ensure that the opening reserves were in line with the medium term financial strategy and were set at £6.7m. The current 2009/10 forecast overspend will provide opening reserves in line with those approved in the 2010/11 budget. Cabinet requested that £0.100m be earmarked from reserves in year to fund additional pot hole works which are required as a direct result of the adverse weather conditions. This earmarking has been taken into account in the above figures.

4.3 Progress of efficiencies/fees and charges/policy changes

In February Council approved c £13.412m of new savings/efficiencies and increases in fees and charges. To date c £3m is not expected to be realised, this includes c£1.4m within adult social care, £0.200m bereavement services and £0.372m looked after children.

4.4 Progress of spend approved for new investment in 2009/10

Council approved investment of £4.344m which includes new investment and the full year effect of previously approved investment. To date this is projected to be fully utilised the purpose for which it was given.

4.5 Revenue Budget 2009/10

Managers currently reporting overspends are continuing to identify and take action to reduce spending. The main areas of overspend variance have been widely reported and **Annex A** details the main movements between the January Cabinet position and that now being reported.

4.6 Forecast Analysis 2009/10: by type

Table 1 illustrates the financial pressure by category of spend.

Table 1: Forecast analysis 2009/10: Spend Type				
	January £'m	Favourable /Adverse Compared to Budget	November (reported to cabinet 13.01.10) £'m	Variance Nov to Jan £'m
Shortfall in Income	2.477	Adverse	2.674	(0.197)
Demographics/demand	3.022	Adverse	3.337	(0.315)
Contractual increases	0.109	Adverse	0.109	0.000
Salaries/Employees	(1.167)	Favourable	(0.386)	(0.781)
Supplies & Services	(1.493)	Favourable	(1.034)	(0.459)
Premises	(0.014)	Favourable	0.136	(0.150)
Transport	(0.009)	Favourable	(0.003)	(0.006)
Other	(0.936)	Favourable	(0.816)	(0.120)
Total	1.989	Adverse	4.017	(2.028)

4.7 Forecast Analysis 2009/10: by Directorate

Table 2 illustrates the financial pressure by Directorate.

Table 2: Forecast analysis 2009/10: By Directorate					
	Jan £'m	Favourable /Adverse Compared to Budget £'m	Nov £'m	Variance between Nov & Jan £'m	Favourable / Adverse (Nov v Jan) £'m
Regeneration	0.026	Adverse	0.550	(0.524)	Favourable
Neighbourhood	(0.643)	Favourable	(0.178)	(0.465)	Favourable
Resources	(0.147)	Favourable	0.551	(0.698)	Favourable
Children's	2.786	Adverse	2.599	0.187	Adverse
Social Care	0.187	Adverse	0.495	(0.308)	Favourable
Centrally held budgets	(0.220)	Favourable	0.000	(0.220)	Favourable
Total	1.989	Adverse	4.017	(2.028)	Favourable

4.8 Capital Programme 2009/10

The approved capital programme as reported to January Cabinet totalled £93.066m. Further amendments have taken place since then which are detailed below, resulting in a revised programme of £92.536m.

Table 3: Amendments to Capital Programme 2009 /10	
	£m
Programme as at 13 January 2010	93.066
Brownhills community technology college – new funding	0.119
Walsall children's play fund – budget reprofiled to 2010/11	(0.213)
Blackwood park pavilion – new funding	0.047
New Deal for Communities – reduction in allocation (previously unconfirmed)	(0.500)
Boiler at Willenhall library – surplus budget vired to Collingwood	(0.023)
Heating at Collingwood centre	0.023
Additional revenues and benefits grant	0.003
Improving security in local neighbourhoods – additional contributions	0.002
Additional schools contributions to various schemes	0.012
Revised Capital Programme	92.536

The mainstream capital programme currently shows predicted slippage / underspends totalling £5.489m. Services will request to carry forward slippage which will only be allowed if approved by Cabinet. Details of all requests will be included in the 2009/10 outturn report in June 2010.

The projects expected to be underspent / slipped are detailed in table 4 below.

Table 4 : Slippage / underspend 2009/10	
	£m
Memorial safety	0.020
Eldon House re-provision (currently reviewing re-provision)	0.988
Aids & adaptations	0.500
Rationalisation of leased accommodation	0.800
Disability discrimination act amendments for greenspaces	0.009
Environmental regeneration	0.048
Local transport plan	0.186
Regenerating Walsall	0.299
Palfrey park	0.075
Walsall Arboretum restoration programme	0.468
Relocation of Pleck boxing club	0.190
Strategic corridors and gateways	0.118
Redhouse community centre	0.230
Town, district and local centres	0.097
Risk management	0.081
Pelsall library	0.320
Rewire of Walsall gala baths	0.150
Contact centre	0.054
Civic centre air conditioning	0.370
Self insured property damage	0.080
Depot relocation	0.051
Allotments	0.004
Modern computer technology in schools	0.313
Improving security in local neighbourhoods	0.011
Maintenance contributions to town centre transport plan	0.026
Total	5.488

5. Citizen impact

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. 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 require continued active management. These amounts to a total of c £3.4m; however they are being actively and robustly managed.

9. Equality implications

None directly associated with this report.

10. Consultation

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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**Rory Borealis – Executive Director
(Resources)**

8 March 2010



**Cllr Chris Towe
Finance & Personnel**

8 March 2010



James Walsh - Chief Finance Officer

8 March 2010

Variances since January report

Regeneration

In November the directorate were reporting an overspend of £0.550m. Further restraints were imposed on all services but in the main property services and additional income identified resulting in a reduced overspend of £0.026m.

Neighbourhood Services

In November the directorate underspend was reported as £0.178m this has now increased to £0.643m for the following reasons:

- Streetpride -£0.277m due to further reduction in waste tonnage and redundancy costs now being funded centrally from reserves.
- Public protection -£0.088m due to further restraint on general expenditure.
- Engineers +£0.065m due to under recovery of income from section 74, car parking due to free Christmas parking, partly offset by additional restraint on supplies and services and employee costs.
- Leisure and culture -£0.084m mainly due to restraint on supplies and services within libraries and heritage partly offset by a number of small overspends within other areas of leisure and culture.
- Neighbourhood programme and partnerships -£0.081m due to repayment for ERDF being lower than originally expected.

Social Care and Inclusion

The position at the end of January 2010 is a predicted overspend of £0.187m, an improvement from the November position of £0.308m. This is mainly due to a reduction in forecast costs for extra care placements of £0.183m, and an increase in action plan savings of £0.130m relating to the reduced risk of incurring costs for delays in the Housing 21 construction programmes at Goscote and Brownhills following work to bring forward the Short Heath scheme. The above is partially offset by other smaller changes amounting to a net increase of £0.005m.

Children's Services

- Looked after children reached an all time high of 499 during January but finished the month at 497 (478 in November). Some of these requiring special provision during January pushed up costs by a forecast £0.100m this financial year.
- Adoption costs have also increased by approx £0.076m to put children into adoption to mitigate costs of looked after children.
- Other small movements of approx £0.010m across children and young people

Resources

The position at the end of January 2010 is a predicted underspend of £0.147m, an improvement since last reported to cabinet of £0.698m. The main variances are:

- Revenue and benefits -£0.091m due to restraint on training and additional income from overpayment recovery.
- Human Resource and Development -£0.147m due to reduction in training against AGB allocation and vacancy management.
- Procurement -£0.065m as a result of additional rebate income and further restraint on employee and supplies and services costs.
- ICT - £0.370m due to reduction in training, agency and employee costs and additional income for project management.
- Strategic transformation -£0.048 due to reduction in consultant and legal costs.
- Business support +£0.050m as a result of increased agency costs.