

Cabinet – 19 March 2014

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 to 31 January 2014. The report sets out:
- A forecast revenue overspend of £2.25m, equivalent to 2.63% of the net council tax requirement, an increase of £0.32m since last reported to Cabinet in February 2014. The main reason for the increase is pressures within Children's Services.
 - A capital programme underspend of £640k.

2. Recommendations

- 2.1 Cabinet are requested to:
- Note the current revenue forecast position as at 31 March 2014 of a £2.25m overspend (equivalent to 2.63% of the net council tax requirement).
 - Note action being taken to manage the cost pressures arising (see section 3.5).
 - Note the current level of general reserves for 2013/14 and delegate authority to the Chief Finance Officer, in consultation with the portfolio holder for Finance, to take action to ensure that opening levels as at 1 April 2014 remain in line with the 2014/15 risk assessment approved by Council on 27 February 2014; including the approval or otherwise of revenue carry forwards.
 - Note the forecast underspend on the council funded element of the capital programme, after re-phasing, of £640k, to be utilised to support the 2014/15 capital programme.
 - Note and approve the amendments and re-phasing of the capital programme as set out in sections 3.9 and 3.11 and delegate authority to the Chief Finance Officer in consultation with the portfolio holder for Resources to approve final capital carry forwards.
 - Approve Walsall council as the accountable body for The Housing Jobs Prosperity pilot, subject to the approval of the joint committee.

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. Nationally councils are experiencing severe funding challenges and it is not unusual for there to be projected variances during the course of any financial year. The council has a strong track record of managing financial pressures and action is being taken to mitigate the current cost and pressures. Maintaining financial stability is a key organisational requirement.

3.2 General Reserves

A detailed risk assessment has been undertaken as part of the 2014/15 budget which sets the recommended level of opening general reserves at £11.2m. This was approved by Council on 27 February 2014. Should the council outturn with an overspend of £2.25m as currently forecast in this report, excluding any approval of carry forwards from 2013/14 to 2014/15, and without any further overspends during the last two months of the year, then the opening level of reserves would be broadly in line with those required.

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

Council approved a total of £15.9m of planned savings. To date, c£2.05m has been identified as not being fully achieved, of which £1.45m relates to the corporate contract saving (see note 3.5). Action plans are being worked on to mitigate the shortfall and the impact of these are included in the outturn position in Table 1.

3.4 Budget 2013/14

The council, similar to many others, is facing significant financial pressures and an increase in demand for certain services. As a result, this is translating into some significant cost pressures, particularly within Children's services and Social Care. Table 1 summarises the 2013/14 budget and forecast outturn.

| Table 1: Forecast outturn 2013/14 | | | | |
|--|----------------------|--------------------------------------|--------------------------------------|------------|
| Directorate | Budget £m | Predicted year end £m | Variance as at Jan £m | RAG |
| Children's Services | 52.44 | 55.06 | 2.62 | R |
| Neighbourhood Services | 45.31 | 45.48 | 0.17 | A |
| Regeneration | 6.80 | 6.73 | (0.07) | G |
| Resources (inc money, home, job) | 26.57 | 26.04 | (0.53) | G |
| Social Care & Inclusion | 66.66 | 67.40 | 0.74 | R |
| Capital Financing | 23.13 | 22.91 | (0.22) | G |
| Corporate contracts | (1.50) | (0.05) | 1.45 | R |
| Central budgets | 29.16 | 27.25 | (1.91) | G |
| Net Budget Position | 248.58 | 250.83 | 2.25 | |
| Central Government Funding | (163.03) | (163.03) | 0.00 | |
| Net Council Tax Requirement | 85.55 | 87.80 | 2.25 | R |

* 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.

3.5 Pressures and Corrective Action

Children's Services – the two principal causes for overspend on Children's Services are the use of agency staff to cover vacant posts, partly offset by underspends on vacant posts across the service (c£1.6m net); and increased cost of placements of Looked After Children (LAC) (c£1.0m). This includes supplementary costs of LAC such as disability packages, contact, support and adoption allowances.

Agency staff pressures are being targeted by recruitment processes currently being run. Several vacancies are in the process of being recruited to. Further work will continue to reduce agency numbers over time, in the meantime a temporary budget increase of £512,622 has been included within the 2014/15 budget process to strengthen the children's social care workforce through the addition of 12 social worker posts.

Placements costs are driven principally by a budget based on LAC numbers of 541 against current numbers of 610. There is ongoing work to reduce the number of LAC where appropriate and reduce the cost of placements through more effective and efficient purchasing arrangements.

Social Care and inclusion (SCI) – Adult social care forecast a £5.3m overspend in 2013/14 prior to the use of reserves and the implementation of a corrective action plan. This has arisen through a combination of previous and current year savings not being fully delivered and in year budget pressures which include:

- Housing 21 contract c£623k (net of reserves)
- Provider services c£813k
- Non-achievement of the saving to re-provide Suttons Drive clients c£894k
- Although there are fewer clients than budgeted for across the service areas, the cost of average care has increased in domiciliary care.
- Budget savings targets across all services have not been realised due to higher cost packages and client costs overall are higher than budgeted
 - Mental Health c£1.26m
 - Learning and Physical Disabilities c£1.28m

The total underlying pressure after the implementation of mitigating actions of £1.2m is therefore c£4m, which unless managed would be ongoing into 2014/15. This is currently being part funded by the use of one-off reserves in 2013/14 of £3.29m which leaves a £742k variance against budget.

A range of actions have been agreed in the short / medium term to ensure adult social care delivers within their approved budget for 2014/15 onwards. Actions include the continuation of the 2013/14 action plan, some changes on how services will be delivered from 2014/15 and the appointment of an efficiency partner.

Neighbourhood Services – the directorate is expected to outturn with an overspend of £170k which is mainly due to underachievement of car parking income. This has been addressed as part of the 2014/15 budget with investment.

Regeneration – property services savings for 2013/14 relating to reducing the number of buildings (£573k) will not be fully realised with an expected shortfall of £249k. The savings are expected to be achieved in 2014/15 onwards.

Resources – within “Money Home Job” pressures previously identified have been managed by reducing the use of temporary staff and keeping posts vacant till the end of the year, and as at January 2014, “Money Home Job” is forecasting an underspend of £71k. The wider support services are predicting an underspend of £459k, which brings the total position for Resources to an underspend of £530k. In addition, excess income of £332k, as a result of additional trading with schools by the Finance and Benefits services, has also been achieved and in line with income protocols has been classed as windfall income.

Corporate Contracts - the programme to deliver council wide procurement savings of £1.5m was transferred to the leadership of the Chief Finance Officer. He has now assessed the contract review programme with the aim of developing a work programme to identify the level of savings that could realistically be realised during 2013/14. This has now been completed and his view is that there is insufficient forward procurement activity to generate this level of saving in 2013/14. To date £46k has been achieved with a further £90k full year effect expected in 2014/15. Planned reductions going forward in negotiating various key contracts would provide an estimated £434k in 2014/15, and a further £166k in 2015/16. This would provide ongoing contracts savings of £690k over the 3 year period.

- 3.6 A number of services have identified overachievement of income against budget or receipt of unbudgeted income totalling c£5.7m, which includes a one-off dividend receipt.

3.7 Local Authority Mortgage Scheme (LAMS)

Up to the end of January 2014, 26 mortgages have been supported through the LAMS scheme using £538,825 of the indemnity cover and a further 3 mortgages applications are being processed which when completed will use up a further £56,100. Following the lobbying to continue with the scheme, Lloyds have confirmed that they will continue with the scheme both now and when they offer products supported by Help to Buy in the future.

3.8 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. The current position on the collection fund is forecast to be a deficit of c £0.50m of which Walsall will have to fund £0.25m.

3.9 Capital Programme 2013/14

The capital programme reported to Cabinet on 05 February 2014 totalled £87.07m. Amendments have taken place since that date and these are detailed in Table 2 overleaf, resulting in a revised programme of £82.19m.

| Table 2: Capital Programme 2013/14 | |
|---|--------------|
| | £m |
| Capital programme 2013/14 per Cabinet 5 February 2014 | 87.07 |
| Council Funded Resources | |
| Log splitter – funded via revenue contribution to capital | 0.01 |
| LED street lighting – Invest to save funded via revenue contribution to capital (carbon reserve) | 0.25 |
| Aldridge toilets – funded via revenue contribution to capital | 0.01 |
| Pelsall Road flood alleviation – funded via revenue contribution to capital | 0.05 |
| Walsall adult & community college facilities – funded via revenue contribution to capital | 0.20 |
| Vehicles brought out at the end of lease term – more cost effective to buy out vehicles at the end of the lease then release | 0.07 |
| Aids and adaptations – funded from in year underspends | 0.10 |
| Kings Hill Park Pavilion - funded via revenue contribution to capital | 0.05 |
| Goscote Valley sustrans bridge repair - funded via revenue contribution to capital | 0.01 |
| New homes bonus - funded via revenue contribution to capital | 0.57 |
| Replacement development management , building control and land charge ICT system - funded via revenue contribution to capital | 0.01 |
| Kings Hill Park - outdoor gym - funded via revenue contribution to capital | 0.03 |
| Kendrick Place - funded via revenue contribution to capital | 0.03 |
| Refurbishment of Fryers Road transfer station - water sprinkler - funded from in year underspends | 0.25 |
| Mercury Abatement – funded via revenue contribution to capital | 0.02 |
| Specifically Funded / Grant Schemes | |
| Aids & Adaptations – confirmation of contributions | 0.12 |
| Pleck Park Synthetic Cricket Wickets - confirmation of grant | 0.02 |
| *Amendments to specific schemes no longer going ahead in 2013/14 | -6.61 |
| Revised capital programme 2013/14 | 82.26 |

*There were a number of externally funded schemes approved by Council which were subject to external funding being available. It has now been confirmed that the funding will not be realised in 2013/14 and the capital programme has been adjusted to reflect this.

- 3.10 Table 3 summarises the 2013/14 capital programme and an early forecast outturn after the re-phasing of projects into 2014/15.

| Table 3: Forecast capital analysis 2013/14 | | | | | |
|---|----------------------|---|---|---------------------------------|---|
| Directorate | Budget £m | Predicted year end forecast £m | Variance before Carry forward £m | Carry Forward £m | Variance Over / (Under) £m |
| Council funded | 26.37 | 16.16 | (10.21) | 9.57 | (0.64) |
| Externally Funded | 55.89 | 31.49 | (24.40) | 24.40 | (0.00) |
| Total | 82.26 | 47.65 | (34.61) | 33.97 | (0.64) |

- 3.11 The council funded element of the capital programme currently shows predicted re-phasing of c£9.57m and a further £24.40m in relation to externally funded projects from 2013/14 to 2014/15 as shown 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 awaiting funding or Government approval, etc.

| Table 4 : Re-phasing of Council funded schemes 2013/14 to 2014/15 | |
|--|-------------|
| Project | £m |
| Walsall arboretum restoration | 0.40 |
| Finance direct/Oracle | 0.13 |
| Aids and adaptations | 0.57 |
| Delivering – right fast and simple | 0.15 |
| Bring your own device security layers | 0.04 |
| Regenerating Walsall | 0.46 |
| Civic centre essential maintenance | 0.57 |
| Health through warmth and related retro fit schemes | 0.30 |
| Improving the customer experience when visiting the council house | 0.88 |
| Integrated children's system | 0.07 |
| Darlaston strategic development area | 1.75 |
| Council wide IT planned rolling replacement and upgrade | 0.33 |
| PARIS development phase 2 | 0.34 |
| Preventative adaptations | 0.30 |
| Enabling works to office development (Gigaport) | 0.48 |
| Allotment and community garden strategy – Borneo | 0.04 |
| Walsall Arboretum restoration programme – illuminated park proposals | 0.14 |
| Willenhall Memorial Park | 0.02 |
| Smarter workplaces | 0.84 |
| Allotments | 0.01 |
| Verge parking | 0.09 |
| Primark & Co-op development | 0.48 |
| Refurbishment of Stroud Avenue | 0.93 |
| Refurbishment of Fryers Road transfer station - water sprinkler | 0.25 |
| Total | 9.57 |

| Table 5 : Re-phasing of externally funded schemes 2013/14 to 2014/15 | |
|---|--------------|
| Project | £m |
| Personal social services grant | 0.84 |
| Black County business property investment programme (BCPIP) | 1.57 |
| Black Country enterprise zone | 0.19 |
| Willenhall Townscape heritage initiative – Heritage Lottery Fund | 0.56 |
| Willenhall Townscape heritage initiative - VIEW | 0.12 |
| Darlaston strategic development area | 8.71 |
| Local Transport Plan (LTP) | 0.04 |
| Reedswood Park | 0.04 |
| Walsall arboretum restoration | 2.76 |
| Development of highways asset management plan (HAMPS) | 0.03 |
| LTP highways maintenance - bridges | 1.65 |
| Basic need - schools | 5.62 |
| Capital maintenance - schools | 0.32 |
| Devolved formula capital - schools | 1.70 |
| Two year old capital funding - schools | 0.25 |
| Total | 24.40 |

- 3.12 Additionally, the council funded element of the capital programme currently shows predicted underspends of c£0.64m as shown in Table 6.

| Table 6: Underspends/savings 2012/13 | |
|--|---------------|
| Project | £m |
| Walsall Arboretum Restoration Programme – illumination Park proposal | (0.11) |
| Restoration and Renovation of Broadway West Playing Fields | (0.07) |
| Health through warmth | (0.21) |
| Essential Enhancement to Data Security Systems | (0.02) |
| Green Rivers | (0.02) |
| Targeted capital bids - Barcroft | (0.13) |
| Smarter Workplaces – Programme Manager | (0.04) |
| Freer Street structural works | (0.04) |
| Total | (0.64) |

- 3.13 Last year the Black Country entered into a City Deal agreement with Government to deliver: an additional 1500 manufacturing apprenticeships; create a Black Country business support programme, and to deliver a demonstrator project to reduce welfare dependency and increase employment in two local areas. The demonstrator project (The Housing Jobs and Prosperity pilot) will draw in £2.8million of new government funding against the delivery of outcomes, which includes: Intensive working with 2,800 long term unemployed social housing tenants; moving at least 900 into employment; reducing welfare benefit costs by £1.1m, and increasing wages by £19m.
- 3.14 It is proposed that Walsall Council acts in the role of Accountable Body for the demonstrator project on behalf of the Joint Committee for the Black Country,

receiving and administering the £2.8million of funding from Government in line with all approvals, and in accordance with the Collaboration Agreement for the Joint Committee. Delivery will be achieved through a lead partner (Accord Housing), who will co-ordinate and call on the services of a number of key partners and agencies as required.

- 3.15 Its therefore requested that subject to the approval of the Collaboration Agreement by the Joint Committee, that Walsall Council acts in the role of accountable body for: The Housing Jobs and Prosperity pilot, setting into place the required contact administration, audit and on-going monitoring arrangement, will be closely monitored and if found necessary will be funded through the allocated resources, prior to their release to the lead partner, Accord Housing.

4. Council Priorities

- 4.1 The budget is set following council priorities, including the agreement to use Marmot objectives to help redirect 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 red.
- 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£486k, however 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 a balanced budget.

8. Property implications

- 8.1 None directly associated with this report.

9. Staffing Implications

- 9.1 None directly associated with this report.

10. Equality implications

- 10.1 None directly associated with this report.

11. Consultation

11.1 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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