

Cabinet – 18 November 2009

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

This report is to inform Cabinet of the year-end forecasts for both revenue and capital. The report highlights a revenue overspend of c £3.247m, the reasons for which are highlighted in the report. The capital programme is currently forecast to be underspent by c £1.942m due to rephasing and slippage of projects into 2010/11.

2. Recommendations

That Cabinet:

- Note a net revenue overspend of c £3.247m (0.4% 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 amendments to the net revenue budget due to new or increased grant allocations since the budget was approved by Council on 23 February 2009, as set out in paragraph 4.5.
- Note slippage on the capital programme of £1.942m, which is expected to be required to be carried forward into 2010/11, subject to Cabinet approval at year-end.
- Note and approve amendments to the capital programme from additional grant approvals received since the programme was approved by Council on 23 February 2009, as set out in table 4.

3. Background information

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

Should corrective action not be fully identified for the above pressures, there will be a need for replenishment within the 2010/11 budget and this has been taken into account in the medium term financial planning forecast.

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 just under £1.9m is not expected to be realised.

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 against the purpose for which it was given.

4.5 New or increased revenue grant allocations 2009/10

Since last reporting to Cabinet on 16th September 2009 we have received notification of an increase in area based grant of £18k in relation to preventing violent extremism.

4.6 Revenue Budget 2009/10

Managers currently reporting overspends are continuing to identify and take action to bring spending back into line with the budget. The main areas of variance and the reasons for them are as previously reported and are detailed in **Appendix A**.

4.7 Forecast Analysis 2009/10: by type

Table 1 illustrates the financial pressure by category of spend.

Table 1: Forecast analysis 2009/10: Spend Type				
	September £'m	Favourable /Adverse Compared to Budget	August £'m	Variance August to September £'m
Shortfall in Income	2.167	Adverse	2.051	+0.116
Demographics/demand	2.848	Adverse	2.591	+0.257
Contractual increases	0.079	Adverse	0.087	(0.008)
Salaries/Employees	(0.369)	Favourable	(0.349)	(0.020)
Supplies & Services	(1.125)	Favourable	1.168	(2.293)
Premises	0.144	Adverse	0.013	+0.131
Other	(0.497)	Favourable	(0.116)	(0.381)
Total	3.247	Adverse	5.445	(2.198)

4.8 Current predictions show an expected shortfall in income of £2.167m. Reduced levels of income are being experienced across all service areas as fewer people use our leisure centres, car parks and search enquiries. As the business, building and property sectors shrink, there is reduced income from the markets, planning, estate-managed property and building design fees.

- 4.9 A secondary effect of the economic situation is the increase in demand for services. This is particularly noticeable in children services. As at the end of September the council has 475 looked after children, 25 more children than was anticipated and budgeted for.
- 4.10 Corrective action plans have been developed and implemented by all directorates and this is now making some inroads into overspends in some areas, however there continue to be pressures elsewhere. Further action has also been taken council wide to restrict all non-essential expenditure whilst minimising the impact on front line service delivery. The impact of this is reduced spend of £0.742m as detailed below.
- 4.11 Forecast Analysis 2009/10: by Directorate

Table 2 illustrates the financial pressure by Directorate.

Table 2: Forecast analysis 2009/10: By Directorate					
	Sept £'m	Favourable /Adverse Compared to Budget £'m	Aug £'m	Variance between Sept & Aug Position £'m	Favourable / Adverse (Sept v August) £'m
Regeneration	0.512	Adverse	0.477	0.035	Adverse
Neighbourhood	(0.091)	Favourable	0.024	(0.115)	Favourable
Social Care	0.204	Adverse	0.474	(0.270)	Favourable
Children's	2.599	Adverse	2.318	0.281	Adverse
Resources	0.023	Adverse	1.952	(1.929)	Favourable
Centrally held budgets	0.000	Favourable	0.200	(0.200)	Favourable
Total	3.247	Adverse	5.445	(2.198)	Favourable

Table 3 shows directorate position before and after the effects of the non-essential spend freeze.

Table 3: Forecast of non-essential spend : By Directorate			
	Forecast prior to non essential spend £m	Identified non essential spend £m	Revised forecast including non essential spend £m
Regeneration	0.554	(0.042)	0.512
Neighbourhood Services.	0.064	(0.155)	(0.091)
Social Care	0.448	(0.244)	0.204
Children's	2.626	(0.027)	2.599
Resources	0.297	(0.274)	0.023
Centrally held budgets	0.000	0.000	0.000
Total	3.989	(0.742)	3.247

4.12 Capital Programme 2009/10

The capital programme approved by Council on 23 February 2009 totalled £58.645m. Amendments reported to cabinet since that date of £25.435m include spend which was due to take place in 2008/09 which was re-phased into 2009/10. This is to be funded via grant income, unsupported borrowing and roll forward of capital receipts from 2008/09 as approved by Cabinet on 24 June 2009. Further amendments have

taken place since the position last reported to Cabinet on 16th September 2009, which are detailed below, resulting in a revised programme of £93.860m.

Table 4 : Amendments to Capital Programme 2009 /10	
	£m
Programme as at 16 September 2009	93.767
Palfrey Park HLF – grant funded re-phased into 2010/11	(0.297)
Walsall Arboretum restoration programme – re-phased into 2010/11	(0.571)
Modernisation of all schools - amended grant figure	(0.006)
New Growth Points – new grant funding for Waterfront	0.250
Holland park improvement project – new environmental grant	0.035
King's Hill park improvement project – section 106 funding	0.038
Queen Mary's Grammar school – new targeted capital grant	0.345
Darlaston Community College – new environmental grant	0.200
Increase in schools contributions to schools projects	0.075
Environmental regeneration match funding - change in grant	0.021
Highfield road north play area - change in grant	0.002
Youth capital fund – change in grant	0.001
Revised Capital Programme	93.860

4.13 In 2009/10 we expected to generate £0.137m in capital receipts alongside a planned carry forward of receipts of £1m from 2008/09 to part fund the 2009/10 capital programme. To date we have received £0.062m.

4.14 The mainstream capital programme currently shows predicted slippage of £1.942m as follows:

Table 4 : Slippage 2009/10	
Project	£m
Eldon House re-provision (currently reviewing re-provision)	1.008
1 Bentley Mill Lane	0.002
Bloxwich library communications room	0.040
DDA for greenspaces	0.009
Environmental regeneration	0.090
Regenerating Walsall	0.150
Palfrey park	0.075
Walsall Arboretum restoration programme	0.468
Strategic corridors and gateways	0.050
Town, district and local centres	0.050
Total	1.942

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 red.
- 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 £7.362m; however they are actively and robustly being 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.

Author

Vicky Buckley - ☎ 01922 652349 buckle.yv@walsall.gov.uk



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

9 November 2009



**Cllr Chris Towe
Finance & Personnel**

9 November 2009



James Walsh - Chief Finance Officer
9 November 2009

Major Variances To Budget**Regeneration**

- Property services (+£0.129m) arising from shortfall in fee income, survey income and additional costs on redundant buildings.
- Housing (+£0.151m) due to under recovery of agency fees and additional staffing costs.
- New Deal (+£0.186m) succession costs arising from the costs of the succession strategy in preparation for closure of the New Deal programme in March 2011.

Neighbourhood Services

- Streetpride (-£0.353m) – reduction in waste tonnage for waste disposal offset by additional disposal costs for recycling and loss of income from trade waste due to closure of local firms (-£0.395m) partly offset by various small variances,
- Public protection (+£0.152m) – additional coroner charges and under recovery of fee income within bereavement services
- Leisure and culture (+£0.132m) staffing costs due to delay in redundancies (+£0.044m); loss of income in sports centres (+£0.163m); catering services (-£0.086m) due to additional income and reduction in provision costs. The remaining variance is due to a number of small variances within the services.

Social Care and Inclusion

The main reasons for the overspend include the temporary delay in charging for transport (£0.388m), additional staffing costs at Links to Work (£0.386m) and placement costs for all Disability Services and Mental Health clients (£1.5m and £0.800m respectively). A number of compensatory underspends are being made to mitigate this position including vacant posts being held and savings on home care. An action plan is also in place totalling £1.984m and non essential spend reductions (£0.244m), without which an overspend of £2.432m would be reported.

Areas of increasing pressure continue to be on placement budgets within disability services and mental health and a review of funding panels and placement costs is underway

Children's Services

The forecast overspend is primarily due to an increase in the demand for looked after children (LAC) with numbers increasing from the 450 when the 2009/10 budget was set, to a current level of 475 with the cost of an additional child between £0.050m - £0.144m per annum depending on the type of placement. The increase is believed to be associated with revised deprivation indicators (IDACI) and the effect of reassessment of risk since the death of Baby Peter. Courts also have an expectation for care cases to have high levels of contact with birth families, particularly during care proceedings which have resulted in increased costs in supervision and transport.