

4 SEPTEMBER, 2014

Quarter 1 Financial Monitoring Position for 2014/15

Ward(s) All

Portfolios:

Councillor Nazir – Regeneration

Executive Summary:

This report summarises the forecast revenue and capital outturn position for 2014/15, based on the performance of Quarter 1 (April to June 2014), for services within the remit of the Regeneration Scrutiny and Performance Panel.

Reason for scrutiny:

To inform the panel of the forecast financial position for 2014/15 within the remit of the Regeneration Scrutiny and Performance Panel.

Recommendations:

To note that the forecast 2014/15 year end financial position for services under the remit of this Panel is as follows:

1. A revenue **break even** position, net of the use of and transfer to earmarked reserves.
2. A capital variance of **£10.287m**, of which the majority (£9.667m) is to be rephased into the next financial year with the remaining £0.620m being an under-spend.

Background papers:

Various financial working papers.

Quarterly reporting to Scrutiny Panels throughout the previous financial year
2014/15 Budget Books on Council's Internet and Intranet

Signed:



Chief Finance Officer: James Walsh **Executive Director:** Simon Neilson

Date: 20 August 2014

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Resource and legal considerations:

The council is required to set and operate within a balanced budget, requiring all services to operate within their approved budget. Any variances are required to be managed. The revenue and capital financial monitoring is reported quarterly to scrutiny along with corrective action plans when variances arise. All accounting entries are undertaken in line with the required corporate and statutory accounting guidance and standards.

Citizen impact:

The budget is aligned to deliver priority services to customers in accordance with the Council's corporate plan.

Environmental impact:

Services within the remit of this panel have a direct influence and impact on the environment.

Performance management:

Financial performance is considered alongside service activity. Managers are required to deliver their service within budget. Plans are required to be put in place to mitigate overspends within the directorate.

Equality Implications:



Services consider equality issues in setting budgets and delivering services. Irrespective of budgetary pressures the council must fulfil equal opportunities obligations.

Consultation:

The budget is aligned to deliver priority services to customers in accordance with the council's corporate plan. Senior managers have signed off the forecast as accurate.

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1. **Forecast Revenue Outturn 2014/15**

- 1.1 The forecast revenue outturn for 2014/15 for the services under the remit of the Regeneration Scrutiny and Performance Panel is a **break even position against budget** (net of the use of earmarked reserves). The outturn shown is based on actual information from the Oracle system, and discussions with managers regarding year-end forecast and achievement of approved savings.
- 1.2 The forecast outturn only includes areas where there is a high degree of certainty about predicted under/overspends. Where overspends are predicted, managers are tasked to identify remedial action that can be made within the service and to report as part of a directorate action plan. All options will continue to be explored throughout the financial year so as to minimise any forecast overspends within the service and to manage additional risks as they arise.
- 1.3 The forecast includes the use of reserves of **£3.529m** where approval was given by Cabinet for additional funds for specific services, and also transfers to reserves of **£0.037m**. See **Appendix 4** for analysis of reserves by service.
- 1.4 **Table 1** below provides a summary by service, and a full analysis of the material variances is shown in **Appendix 1**.
- 1.5 Within the services associated with the panel there are a number of risks around demand which is calculated at **£0.750m**. At this stage the risks are not certainties and as such are not included in the monitoring as overspends. If the risks become more certain then alternative action will need to be identified. A summary of the risk assessment is attached as **Appendix 2**.
- 1.6 The budget for 2014/15 included approved savings of **£0.886m**, of which £0.801m has been achieved. A full breakdown of investment and savings can be found in the 2014/15 budget book. Where savings are not able to be achieved in full in the year, directorate management teams are required to identify and manage alternative savings in liaison with the relevant portfolio holder.

Table 1 – Forecast Revenue Outturn 2014/15

	Annual Budget	Profiled Budget	Year to Date Actual	Profiled Variance	Final Outturn	Year End Variance	Use of Reserves	Transfer to Reserves	Adjusted Variance
Service Area	£	£	£	£	£	£	£	£	£
Development & Delivery	538,517	134,619	479,183	344,564	1,201,239	662,722	(517,475)	0	145,248
Planning & Building Control	442,084	110,511	(140,680)	(251,191)	315,532	(126,552)	(33,752)	37,278	(123,026)
Property Services	3,812,232	1,167,162	2,649,798	1,482,636	4,215,588	403,356	(403,356)	0	0
Regeneration Management	304,344	76,089	182,717	106,628	304,344	0	0	0	0
Smarter Workplaces	171,477	42,252	155,760	113,508	500,059	328,582	(328,581)	0	0
Strategic Regeneration	499,509	124,881	(286,665)	(411,546)	2,723,585	2,224,076	(2,246,300)	0	(22,223)
TOTAL REGENERATION	5,768,163	1,655,514	3,040,113	1,384,599	9,260,348	3,492,185	(3,529,463)	37,278	(1)

2. Capital Outturn 2014/15

- 2.1 The forecast capital outturn for 2014/15 for the schemes under the remit of this panel is a variance of **£10.287m** against budget, of which £0.620m is an under-spend of budget and **£9.667m** will be required to be re-phased to 2015/16. **Table 2** provides a summary by service, and a detailed financial analysis by scheme is shown in **Appendix 3**.

The majority of the rephrasing (£8.236m) relates to delayed expenditure on the Darlaston SDA project. This project spans more than one financial year – there have been some delays due to the Compulsory Purchase Order (“CPO”) and expiration of the contract framework resulting in re-tendering. However, the project is still expected to be delivered within original timescales.

Table 2 - Forecast Capital Outturn 2014/15				
Service Area	Total Budget £	Spend To Date £	Year-end Forecast £	Forecast Variance £
<u>Mainstream Resources</u>				
Property Services	2,945,071	202,519	2,177,231	(767,840)
Planning & Building Control	98,700	0	98,700	0
Development & Delivery	7,055,827	526,749	6,703,437	(352,390)
Smarter Workplaces	914,068	8,280	705,068	(209,000)
Strategic Regeneration	2,665,000	0	0	(2,665,000)
Sub Total	13,678,666	737,548	9,684,436	(3,994,230)
<u>Non Mainstream Resources</u>				
Development & Delivery	1,966,549	83,197	1,244,778	(721,771)
Strategic Regeneration	12,574,639	463,196	7,003,630	(5,571,009)
Sub Total	14,541,188	546,394	8,248,409	(6,292,779)
Total Regeneration	28,219,854	1,283,941	17,932,844	(10,287,010)

Appendix 1 – Analysis of Variances

Analysis of Variances		
Service	Explanation for Variance	Variance £
Development & Delivery	Un-budgeted spend on supplies and services	12,119
Markets	Expected income shortfall of £174k due to Walsall market move offset by vacant Markets Manager post (£17k) and under-spends on agency staff (£24k).	133,129
Development & Delivery total		145,248
Building Control	Overspend on supplies & services for building control revenue account.	5,957
Development Management	Over-recovery of planning application fee income.	(74,093)
Planning Services	Underspends in centralised stationery (£15k) and LLPG post due to full year vacancy (£34k).	(49,483)
Planning Policy	Vacant post	(5,407)
Planning and Building Control total		(123,026)
Economic Regeneration	As part of directorate action plan, source of staff funding amended from mainstream revenue to various reserves.	(22,223)
Strategic Regeneration		(22,223)
Asset Management	Over-recovery of rental income for shops (£46k) partially offset by overspend on professional fees on unclassified land and buildings (£6k). (Note that the dilapidation on Unit 1 Access Point of £45k is being offset by under-spend on vacant posts).	(40,494)
Building Services	Overspend on repairs and maintenance on redundant buildings and statues based on current spend to date.	2,210
Design and Project Management	Shortfall against income target (£140k) offset by vacant design and project manager post (£55k) and supplies and services (£62k).	23,777
Facilities Management	Non-achievement of income target in relation to School Crossing Patrols (£64k). This is partly offset against underspend on vacant posts.	14,506
Property Services total		0
TOTAL		(1)

Appendix 2 – Financial Risks

POTENTIAL RISK	LOWEST COST	HIGHEST COST	ASSESSMENT OF RISK	TOTAL FINANCIAL EXPOSURE TO RISK
	£000	£000		£000
Property Service – loss of Building Service and DPM fee income	0	180	High	108
Property Service - SCP saving not achieved due to delay in consultation	0	21	High	13
Property Services - loss of profitable cleaning contracts / non-recovery of costs of existing contracts	0	316	High	190
Underachievement of Market Stall Income	0	750	Medium	300
Property Services - risk of major repairs or maintenance required that cannot be met from existing budget	0	50	Medium	20
Property Services - risk that brought forward saving of £249k will not be achieved due to delays in procurement	0	249	Medium	100
Development and Delivery - revenue costs associated with new capital projects	0	50	Low	10
Increase in energy costs	0	50	Low	10
Total Regeneration	0	1,666		750

Appendix 3 – Capital by scheme

Scheme and service area	Total Budget	Spend to Date	Forecast Spend	Forecast Variance	Reasons for variances
Mainstream Resources	£	£	£	£	
Asbestos Removal	62,478	5,591	62,478	0	
Safe water supplies	136,810	43,827	136,810	0	
Demolition of redundant buildings to save on rates	141,122	4,545	141,122	0	
Fire risk assessment	69,264	69,264	69,264	0	
Freer Street structural works	16,100	3,571	16,100	0	
Planned property maintenance	159,598	43,020	159,598	0	
Shop maintenance	153,137	23,898	153,137	0	
Statutory Testing	146,166	8,803	146,166	0	
Civic Centre essential maintenance	566,306	0	566,306	0	
Walsall Council House	867,840	0	100,000	(767,840)	Consultants to be appointed prior to project commencing
Kings Hill Park outdoor gym	1,250	0	1,250	0	
Replace heating & ventilation system in First Stop Shop	100,000	0	100,000	0	
Replace heating & ventilation system within link block	100,000	0	100,000	0	
Solar PV Panels	425,000	0	425,000	0	
Property Services	2,945,071	202,519	2,177,231	(767,840)	
Replacement ICT system	98,700	0	98,700	0	
Planning & Building Control	98,700	0	98,700	0	
Regenerating Walsall	67,691	1,681	67,691	0	
Enabling works to office development (Gigaport)	470,126	179,903	395,126	(75,000)	Programme spans more than one financial year.
New Homes Bonus	334,952	(1,500)	334,952	0	
Walsall market	250,000	0	50,000	(200,000)	Project delayed due to other

					town centre developments and the rail electrification project.
Old Square Redevelopment	5,933,058	346,666	5,855,669	(77,389)	Retention on the construction contract.
Development & Delivery	7,055,827	526,749	6,703,437	(352,390)	
Smarter Workplaces - Workplace Solutions	88,422	(1,720)	88,422	0	
Smarter Workplaces ICT	306,645	0	306,645	0	
Smarter Workplaces - Property	519,001	10,000	310,001	(209,000)	Programme spans more than one financial year.
Smarter Workplaces	914,068	8,280	705,068	(209,000)	
Darlaston SDA	2,665,000	0	0	(2,665,000)	Project spans more than one financial year. Delays due to CPOs and expiration of contract framework, although project is still expected to be delivered in original timescales.
Strategic Regeneration	2,665,000	0	0	(2,665,000)	
	13,678,666	737,548	9,684,436	(3,994,230)	
<u>Non Mainstream Resources</u>					
Willenhall THI – Heritage Lottery Fund	577,542	31,351	476,126	(101,416)	Programme extended by HLF until October 2015.
Willenhall THI – VIEW	139,007	31,351	139,007	0	
Black Country Business Property Investment Programme (“BCBPIP”)	1,000,000	12,645	379,645	** (620,355)	Fewer successful grant applications from private sector than anticipated.
Black Country Enterprise Zone	250,000	7,850	250,000	0	
Development & Delivery	1,966,549	83,197	1,244,778	(721,771)	
LTP Black Country quick wins 2	71,000	10,755	71,000	0	
Darlaston Strategic Development Area Access	10,968,793	397,785	5,397,785	(5,571,009)	Delays due to CPOs and expiration of contract

					framework, although project is still expected to be delivered in original timescales.
Local Sustainable Transport Fund	101,000	2,175	101,000	0	
Local Transport Plan	1,433,846	52,482	1,433,846	0	
Strategic Regeneration	12,574,639	463,196	7,003,630	(5,571,009)	
	14,541,188	546,394	8,248,409	(6,292,779)	
Total	28,219,854	1,283,941	17,932,844	(10,287,010)	

** Being true under-spend. All other variances are forecast carry forwards

THI – Townscape Heritage Initiative

SDA – Strategic Development Area

VIEW - Visionary Investment Enhancing Walsall

Appendix 4 – Reserves by Service

Division Of Service	Reserve Details	Allocated Reserve	Value Of Reserve Used To Date	Value Of Reserve Expected To Be Used By 31 March 2015	Transfer To Reserves	Balance Of Reserve Not Utilised 2014/15
		£	£	£	£	£
Asset Management	Asset Management system	63,954	0	(24,490)	0	39,464
Facilities Management	Fire risk assessment	3,036	0	(3,036)	0	0
Asset Management	Pleck Boxing Club	118,790	(4,395)	(17,579)	0	101,211
Building Services	Property Review	216,443	(56,619)	(108,251)	0	108,192
Asset Management	Bryntysilio Dilapidation	250,000	(250,000)	(250,000)	0	0
Property Services		652,223	(311,014)	(403,356)	0	248,867
Smarter Workplaces	Smarter workplaces	589,081	(8,280)	(328,581)	0	260,500
Strategic Regeneration	SEED/GOLD	32,734	0	0	0	32,734
Economic Regeneration	LABGI	236,896	0	(227,273)	0	9,623
Economic Regeneration	Walsall Works	1,465,779	(128,719)	(1,465,779)	0	0
Strategic Regeneration	ERDF TA Walsall contribution	9,151	0	(9,151)	0	0
Strategic Regeneration	Black Country Invest team	38,088	0	(38,088)	0	0
Strategic Regeneration	LEP-Hestletine funding	244,000	0	(244,000)	0	0
Strategic Regeneration	LEP-core funding	248,681	0	(248,681)	0	0
Strategic Regeneration	City Deal - Welfare Pilot	1,750,000	0	0	0	1,750,000
	TA ERDF Partnership					
Strategic Regeneration	Contributions	13,328	0	(13,328)	0	0
Strategic Regeneration		4,038,657	(128,719)	(2,246,300)	0	1,792,357
Development Management	Black country core strategy	130,000	0	0	0	130,000
Building Control	Building control fees	33,752	0	(33,752)	0	0
Development Management	S106 planning	190,451	0	0	30,168	220,619
Planning Services	Planning Fees	5,718	0	0	0	5,718
Building Control	Planned partnership inspections	9,823	0	0	7,110	16,933
Planning Services	Severn Trent	9,129	0	0	0	9,129

Planning Policy	HPDG - salary cost	44,055	0	0	0	44,055
Development Management	Legal fees Waverley Mast	68,412	0	0	0	68,412
Planning & Building Control		491,340	0	(33,752)	37,278	494,866
Development & Delivery	New Homes Bonus	1,709,470	0	0	0	1,709,470
Development & Delivery	LABGI - Town Centre Management	51,352	(7,213)	(29,922)	0	21,430
Development & Delivery	Uncapitalised expenditure	200,000	0	(200,000)	0	0
Development & Delivery	Dev & Del grant S106	63,877	0	0	0	63,877
Development & Delivery	New Habitats burdens grant	38,025	0	0	0	38,025
Development & Delivery	HPDG	53,174	0	0	0	53,174
Development & Delivery	Heritage & Biodiversity	7,201	0	0	0	7,201
Development & Delivery	High St Innovation	30,398	65	(30,398)	0	0
Development & Delivery	Town Team Partners	10,000	0	0	0	10,000
Development & Delivery	Enterprise Zone	73,772	(13,186)	(73,772)	0	0
Development & Delivery	Phoenix 10	238,971	5,793	(143,383)	0	95,588
Development & Delivery	BCBPIP Revenue	53,952	(2,149)	(40,000)	0	13,952
Development & Delivery	LEX revenue contribution	280,000	0	0	0	280,000
Development & Delivery		2,810,193	(16,690)	(517,475)	0	2,292,718
Regeneration Management	Black Country transport director	90,000		0	0	90,000
		8,671,494	(464,703)	(3,529,464)	37,278	5,179,308