

19 NOVEMBER 2020

**CORPORATE FINANCIAL PERFORMANCE – (Period 5 – August 2020)
FINANCIAL MONITORING POSITION FOR 2020/21**

Ward(s):

Portfolios:

Councillor Adrian Andrew – Deputy Leader of the Council Regeneration

Councillor Perry – Deputy Leader and Resilient Communities

Councillor Butler – Clean and Green

1. Aim

To provide the budget monitoring position for period 5 2020/21.

2. Recommendations

- 2.1 To note the revenue and capital forecast for the financial year end 20/21 for the services under the remit of the committee
- 2.2 To note the actions being taken to address the overspend

3. Report detail – know

- 3.1 The current net revenue forecast position, after the net use of reserves and prior to any mitigating action, would be an over spend of £0.845m, which results from delayed delivery of savings, unachieved income and owareas of spend increases as a result of demand. After mitigating actions of (£0.240m) the forecast position is an over spend of £0.645m. Forecast net use of reserves total £8.899m including a one-off £6.659m relating directly to implications of COVID-19 restrictions.

3.2 Reasons for current overspend are:

(£0.100m) relating to underspends on employee and supplies and services budgets in Clean and green Services (allowances (£0.050m), fuel (£0.050m) and tyre costs (£0.030m) and agency costs due cancellation of the splashpads (£0.030m)) offset by £0.059m overspends on agency staff in waste and grounds.

£0.375m – Ongoing pressure due to non-achievement of planning income (non covid related).

£0.541m –the impact on the current Head of Service budgets being used to support the senior management redesign and the costs of the 2 interim directors and the interim Head of Planning

£0.030m – Relating to ongoing prior year pressures due to the cessation of shared emergency planning service with Sandwell MBC

(£0.191m) – overachievement of income in Bereavement Services, offset in part by unachievable saving £0.010m

£0.182m - under achievement of active living income due to previous year's ongoing pressure £0.082m and the additional £0.100m identified maintenance costs

(£0.060m) – staffing vacancies in Arts & Events and Community Protection divisions

(£0.130m) - Ongoing pressure from part non-achievement of prior years' libraries saving - £0.028m, offset by vacant posts being held in service (£0.098m) and the underspend from the book fund (£0.060m)

3.3 Forecast Revenue outturn by service:

Table 1 – Forecast Revenue Outturn 2020/21					
Service	Annual Budget	Net Forecast	Planned Net Use of Reserves	Action Plan	Variance after Action Plan
	£m	£m	£m	£m	£m
Clean and Green Services	18.793	20.890	(2.195)	0.000	(0.097)
Economy Environment & Communities Management	0.422	0.605	0	0.000	0.184
Leisure Culture & Operations	2.432	5.186	(2.596)	(0.240)	(0.083)
Planning, Engineering & Transportation	8.851	11.428	(2.108)	0.000	0.469
Programme Management	1.656	2.135	(0.427)	0.000	0.051
Resilient Communities – Regulatory Services	1.986	3.240	(1.238)	0.000	0.016
Regeneration & Development	1.33	1.770	(0.335)	0.000	0.105
Total Economy, Environment & Communities	35.470	45.254	(8.899)	(0.240)	0.645

A number of directorate meetings have taken place to discuss the overspend and mitigation actions that can be taken to bring to overspend down for the remit of this committee. A number of options have been identified and agreed for the value of £442k and this will be reflected in the next Scrutiny report. Options were use of grant funding, stop on non-essential spend and reduction in agency staff. Further work is continuing to look at mitigating the remaining overspend.

At the previous meeting of the Committee, Members considered the Quarter 1 Financial Report which covered services relating to Economy and Environment. Within this report, Resilient Communities was highlighted to be within the remit of the Economy and Environment OSC. However, due to operational changes within Directorates across the Council, Resilient Communities resides within the Scrutiny Overview Committee portfolio.

3.4 Reserves

The total allocated earmarked reserves for Economy and Environment Scrutiny in 2020/21 are £35.268m, and £8.899m (25.23%) has been used or committed.

The table below details the current net use of reserves used within the service.

Table 2 - Summary of use of reserves and transfer to reserves				
Reserve Details	Allocated reserve	Use of reserve	Transfer to reserve	Balance of reserve
	£m	£m	£m	£m
Clean and Green Services	3.488	(2.195)	0.000	1.293
Economy & Environment Management	0.013	0.000	0.000	0.013
Leisure, Culture & Operations	3.486	(2.596)	0.000	0.890
Planning, Engineering & Transportation	23.182	(2.108)	0.000	21.074
Programme Management	1.569	(0.111)	0.000	1.458
Regeneration & Development	2.209	(0.651)	0.000	1.557
Resilient Communities	1.321	(1.238)	0.000	0.083
Total Reserves	35.268	(8.899)	0.000	26.368

3.4 Savings 2020/21

Economy and Environment committee remit has approved total savings for 2020/21 of £2.282m which were agreed as part of the 2020/21 budget process. To date 7% has been achieved, 6% should be achieved by 31.03.2021 and 87% is unachievable and has been mitigated in the main by use of the street lighting and COVID reserves.

Savings that are not forecast to be achieved in year (red), are included in the current forecast position and service managers are required to identify alternative options to mitigate these.

Table 3 – Summary of Savings by Category			
BRAG Status	Amount (£m)	% of Total Savings	Comment
High risk of non-delivery	1.990	87	Includes £0.450m relating to SL PFI unachieved savings bfwd from 2019/20 funded by the SL reserve and a one-off £1.541m funded from COVID reserve
Low risk of non-delivery	0.131	6	Directorate wide income generation target partly unachievable
To be delivered by 31/03/20	0.000	0	
Delivered in full	0.161	7	Savings on re-contracted waste disposal contracts
Total	2.282	100	

The savings identified as unachievable or as having a high risk of not being achieved are:

Table 4 – Details of Unachievable Savings 2020/21			
Service Area	Savings 20/21 (£m)	Unachieved Savings inc in forecast (£m)	Reasons and Actions
Street Lighting	0.450	0.450	Funded from SL PFI reserve
Planning redesign	0.476	0.476	One-off funding from the corporate COVID reserve
Directorate Wide – fees and charges	0.249	0.118	£0.062m one-off funding from the corporate COVID reserve, £0.056m non COVID to be mitigated elsewhere but included in the current forecast
LCOPS – change of name deed	0.011	0.011	One-off funding from the corporate COVID reserve
Resilient Communities redesign -	0.935	0.935	One-off funding from the corporate COVID reserve
TOTAL	2.121	1.990	

3.5 - Risks

The total risk for this committee is currently £1.013m of which £0.961m relates to high risks.

Table 5 – Revenue Risks 2020/21				
Risk	Value (£m)	Ongoing	One Off	Actions to manage risk
High	0.925	0.873	0.052	
Medium	0.038	0.038	0.000	
Low	0.050	0.050	0.000	
Total	1.013	0.961	0.052	

The main high risks (Red risks) that could negatively impact the current forecast position if they occur are:

- £0.150m – Increased costs due to increased tonnages/fluctuating gate fees/contract prices in clean and green.
- £0.052m – C&G – Mayrise system replacement
- £0.171m - additional loss of planning application and land charges income above that assumed, relating to covid 19.
- £0.509m - Additional loss of active living income
- £0.043m - other items below £0.050m individually

3.6 Capital Summary

The total capital programme for the Economy and Environment committee is £46.413m with the current forecast position being an overspend of £0.085m relating to Oak Park car park project. It is expected that this overspend will be

funded from underspend of other capital schemes when identified at Q3. The projected carry forward into 2021/22 is (£0.469m). A summary by service area is detailed in the table below:

Table 5 – Forecast Capital Outturn 2020/21					
Service	Annual Budget £m	Actual Year to Date £m	Forecast £m	Year End Variance £m	Proposed carry forward to 2021/22 £m
Council funded					
Clean & Green	0.143	0.000	0.051	(0.092)	(0.092)
Leisure, Culture & Operations	1.473	0.323	1.557	0.085	0.000
Planning, Engineering & Transportation	4.791	0.384	4.791	0.000	0.000
Regeneration & Development	6.118	0.021	6.118	0.000	0.000
SUB-TOTAL	12.525	0.728	12.517	(0.007)	(0.092)
Externally funded					
Clean & Green	0.502	0.001	0.125	(0.377)	(0.377)
Leisure, Culture & Operations	0.300	0.000	0.300	0.000	0.000
Planning, Engineering & Transportation	3.419	1.240	3.419	0.000	0.000
Regeneration & Development	26.417	4.656	26.417	0.000	0.000
SUB-TOTAL	30.639	5.897	30.262	(0.377)	(0.377)
Prudential Borrowing					
Regeneration & Development	0.468	0.000	0.468	0.000	0.000
Clean & Green	2.782	0.056	2.782	0.000	0.000
SUB-TOTAL	3.250	0.056	3.250	0.000	0.000
TOTAL - E&E	46.413	6.681	46.028	(0.384)	(0.469)

Details of proposed capital carry forwards are detailed in the table overleaf:

Table 6 - Proposed Capital Carry Forwards to 2021/22		
Capital Schemes	Amount to be c/f (£m)	Comments
Clean and Green - Broadway West playing fields – Council funded	0.092	Budget to match external funding
Clean & Green - Broadway West playing fields – Externally Funded	0.150	The Broadway West Sports Association who we are working with the Council on this project have not been able to progress the funding application to Big Local to obtain feasibility funding for the project so everything is delayed as a result. The COVID 19 pandemic is largely responsible for this delay.
Clean & Green - Waste Infrastructure Capital Grant	0.227	Awaiting outcome of new HWRC proposals

3.7 Capital risks

There are currently no capital risks identified for the directorate

4. Financial information

- 4.1 The financial implications are as set out in the main body of this report. The council has a statutory responsibility to set a balanced budget and to ensure it has an adequate level of reserves. The council will take a medium term policy led approach to all decisions on resource allocation.

5. Reducing Inequalities

- 5.1 Services consider and respond to equality issues in setting budgets and delivering services. Irrespective of budgetary pressures, the Council must fulfil equal opportunities obligations

6. Decide

- 6.1 To approve the recommendations as set out in this report.

7. Respond

- 7.1 The Executive Director for E, E & C will be working with his Directors and Heads of service to review the forecast and implement an action plan that will mitigate this overspend by year-end.

8. Review

- 8.1 Regular monitoring reports are presented to Cabinet to inform them of the impact of Covid-19 and the financial forecast for 2020/21, including an update on risks and impact on the budget for 2021/22 and beyond.

Background papers: Various financial working papers

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