

## **Audit Committee – 1 September 2008**

### **Corporate Financial Performance 2008/9**

#### **Summary of report**

This report states the financial monitoring as at the end of May 2008. The year-end forecast at the end of May shows a revenue overspend of c£0.8m, (0.12% of the gross budget) and unspent resources of £3.57m on the capital programme.

#### **Recommendations**

- 1) To note the following currently predicted year end forecasts, risks and action plans.



**James Walsh – CFO**

**20 August 2008**

#### **Governance**

Managers are required to deliver their service targets and improvements within budget. Small variations are normal and insignificant on a gross revenue budget (excluding internal charges) of £665.78m. Monitoring of performance against budget takes place on a monthly basis with reports distributed to accountable officers. Corporate Financial Performance is reported to cabinet at least 5 times per financial year.

#### **Resource and legal considerations**

##### Economic Environment

This report details corporate financial performance for quarter 1 of the financial year. While the primary purpose of this report is to allow Audit Committee to see that appropriate controls are in place in managing financial performance, it is also worth noting that there has been significant change in the wider economic environment in recent times. Inflation (Consumer Prices Index CPI) rose by 4.4% in July 2008 which is the highest since records began in 1997. The RPI (Retail Price Index) rose by 5% in July 2008. These factors will put pressure on the current budget.

##### General Reserves

If currently predicted overspends arise year-end general reserves would be c £6.8m. Where positive action has already been identified by services it is reflected in this report. The potential risks to the forecast outturn are identified later in this report.

<b>TABLE 1: PREDICTED YEAR END POSITION 2008/9</b>	
<b>REASON</b>	<b>£M</b>
General reserves as at 01.04.08 (pre-audit)	-7.776
Predicted revenue overspend	0.794
One-off costs relating to print and design	0.150
<b>Estimated general reserves @ 31.03.09</b>	<b>-6.832</b>

#### Progress of implementation of savings/fees and charges increases in 2008/9

In February Council approved c £7.6m of savings/efficiencies and increases in fees and charges. To date £7.584m (99.8%) is expected to be realised in full.

#### Progress of spend approved for investment in 2008/9

Council approved investment of £6.5m which includes new investment and full year effect of previously approved investment. To date this is all projected to be fully utilised against the purpose for which it was given.

#### Detailed Revenue Budget Issues

The main areas of variance between budget and estimated outturn are:

#### **Neighbourhood Services +£0.134m**

- Leisure, Culture and Lifelong Learning (+£0.141m) - catering (+£0.125m); due to non-achievement of budgeted management fees to be charged to schools. This formed part of the action plan taken to Cabinet to turn around the service in 2008/9 and prevent further overspends occurring. The charging of the fees was not approved and no alternative has yet been found. The remainder of the overspend relates to an unrealistic income target within management services which is to be addressed as part of the 2009/10 budget process.

#### **Social Care and Inclusion + £0.531m**

- Due to the delay in implementation, procurement savings will not be realised in full. The current forecast is that only 25% will be achieved. Project re-scoping is currently taking place and progress will be reported in future reports.

Further analysis of specific aspects of the reported overspend are currently in train, which may mitigate the overspend position by c £400k (primarily specialist services - £175k, SCI housing 21 - £165k, electricity bills for the illuminations -£33k). In addition, treasury management (capital financing) is being reviewed to identify the potential for even more improved investment returns.

In addition to the above, a further £2.429m has been identified as a risk to the outturn but action is being taken to manage this.

## **CAPITAL PROGRAMME 2008/9**

### **Mainstream funded**

The mainstream capital programme currently shows unspent resources of c £3.57m (**Table 2**). This is likely to be required to fund planned slippage into 2009/10.

<b>TABLE 2 : MAINSTREAM PROGRAMME</b>	
	<b>£m</b>
<b>Capital programme approved by Cabinet 25 February 2008</b>	23.573
Approved slippage	10.356
Total revised programme	33.929
<b>EXPENDITURE</b>	
Actual expenditure as at 31 May 2008	1.509
Balance remaining at year (from cashflow forecasts)	28.848
Total forecasted capital expenditure for year	30.357
<b>Unspent resources</b>	<b>3.572</b>

### **Prudential Programme**

In line with the treasury management strategy, in 2007/8 £9.49m additional unsupported borrowing was used as a more effective source of funding than capital receipts. This allowed capital receipts of £11.398m to be carried forward in line with the approved capital programme. Once again in 2008/9 whether to use unsupported borrowing or capital receipts will be considered in light of prevailing markets and the corporate financial position. Current forecasts show unspent resources of £1.674m.

### **Performance management and risk management issues**

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.

Risk management is embedded into financial and budget control procedures.

**Appendix 1** is a detailed financial risk assessment. Where applicable services produce action plans to control risks.

### **Equality implications**

None.

### **Consultation**

The report is prepared in consultation with members of finance officers across the council.

## **Background papers**

Various financial performance and budget monitoring reports and Medium Term Financial Strategy

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## FINANCIAL RISK ASSESSMENT @ 31 MAY 2008

DETAIL OF MEDIUM / HIGH RISK ITEMS	WORST CASE IMPACT £M
<p><b>Neighbourhood services:</b></p> <ul style="list-style-type: none"> <li>• Property services – costs on buildings / sites awaiting sale</li> <li>• Property services – rationalisation of office accommodation</li> <li>• Property services – under recovery of fee income</li> <li>• Property services – legal costs</li> <li>• Street pride – highways obsolete stock to be written off prior to partnership</li> <li>• Street pride – additional hire costs of vehicles</li> <li>• Bereavement service – shortfall in income due to changes in demand</li> <li>• Leisure – under achievement of income within leisure centres</li> <li>• Catering – under achievement of income</li> <li>• Public protection – legal costs</li> <li>• Engineering – under recovery of car parks income</li> <li>• Various services – non achievement of 2008/9 efficiencies / fees and charges</li> </ul>	<p>0.050</p> <p>0.125</p> <p>0.150</p> <p>0.100</p> <p>Awaiting figures</p> <p>0.100</p> <p>0.060</p> <p>0.200</p> <p>0.100</p> <p>0.100</p> <p>0.100</p> <p>0.176</p>
<p><b>Social care and inclusion</b></p> <ul style="list-style-type: none"> <li>• Links to work – historic overspend, action plan to be completed this financial year</li> <li>• Transport charging – delay in implementation. Consultation process to commence in July 2008 assume 6 month delay</li> </ul> <p>Managers are implementing other savings options to mitigate the risk of links to work overspend and transport charging delays, however at this time mitigation of the procurement savings is not in place.</p>	<p>0.331</p> <p>0.225</p>
<p><b>Regeneration:</b></p> <ul style="list-style-type: none"> <li>• Shortfall on land charges income</li> <li>• Shortfall on planning applications income</li> <li>• Historical income budget around planning delivery grant</li> </ul>	<p>0.185</p> <p>0.074</p> <p>0.053</p>
<p><b>Children &amp; young people:</b></p> <p>Children's social services</p> <ul style="list-style-type: none"> <li>• Family law cases – increased charges from April 2008</li> <li>• Direct payments</li> </ul>	<p>0.180</p> <p>0.120</p>
<p><b>TOTAL RISK IDENTIFIED</b></p>	<p><b>2.429</b></p>

Whilst it is important and good practice to identify potential risks to the forecast outturn, these represent a worse case scenario and are being actively managed.