

24 NOVEMBER, 2014

Quarter 2 Financial Monitoring Position for 2014/15

Ward(s): All

Portfolios:

Councillor Nazir – Regeneration

Executive Summary:

This report summarises the forecast revenue and capital financial position for 2014/15, based on the performance of Quarter 2 (April to September 2014), for services within the remit of the Business, employment and the local economy Scrutiny and Performance Panel.

Reason for scrutiny:

To inform the panel of the forecast financial position for 2014/15 within the remit of the Business, employment and the local economy 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 **overspend of £0.112m**, net of the use of and transfer to earmarked reserves.
2. A capital **underspend of £0.887m**, of which the majority (£0.751m) will be requested to be carried forward into the next financial year with the remaining £0.136m being true under-spend.

Background papers:

Various financial working papers.
Quarter 1 report to Scrutiny Panel for 2014/15
2014/15 Budget Books on Council's Internet and Intranet

Signed:



James Walsh
Chief Finance Officer:



Simon Neilson
Executive Director

Date:

Date:

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 within the services have been consulted and have signed off the forecast as accurate.

Contact Officer:

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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 this Panel is an **overspend of £0.112m** (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 **£5.094m** where approval was given by cabinet for additional funds for specific services, and also transfers to reserves of **£0.058m**. 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 uncontrollable demand which is calculated at **£0.414m**. 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	548,159	274,062	729,395	455,333	1,500,141	951,982	-818,312	11,512	145,182
Planning & Building Control	443,584	221,772	-51,656	-273,428	255,200	-188,384	-33,752	46,401	-175,735
Property Services	4,174,513	2,087,107	4,375,199	2,288,092	4,837,187	662,674	-455,724	0	206,950
Regeneration Management	304,344	152,178	170,627	18,449	358,344	54,000	-54,000	0	0
Smarter Workplaces	216,703	107,100	292,120	185,020	458,158	241,455	-241,455	0	0
Strategic Regeneration	499,509	249,762	544,401	294,639	3,925,256	3,425,747	-3,490,494	0	-64,747
TOTAL REGENERATION	6,186,812	3,091,981	6,060,086	2,968,105	11,334,286	5,147,474	-5,093,737	57,913	111,650

2. Capital Outturn 2014/15

- 2.1 The forecast capital outturn for 2014/15 for the schemes under the remit of this panel is an underspend of **£0.887m** against budget, of which **£0.136m** is a true underspend of budget and **£0.751m** will be requested to be carried forward into 2015/16. **Table 2** provides a summary of the Capital variance by service, and a detailed financial analysis by scheme is shown in **Appendix 3**.

The majority of the carry forward request (£0.611m) relates to the Smarter Workplaces programme, where the profile of planned property disposals has slipped into 2015/16.

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	1,957,755	334,753	1,956,505	-1,250
Planning & Building Control	98,700	500	98,700	0
Development & Delivery	7,333,670	1,659,305	7,235,200	-98,470
Smarter Workplaces	914,068	88,164	303,422	-610,646
Sub Total	10,304,193	2,082,722	9,593,827	-710,366
<u>Non Mainstream Resources</u>				
Development & Delivery	1,096,194	150,423	919,666	-176,528
Strategic Regeneration	7,503,639	1,536,795	7,503,632	-7
Sub Total	8,599,833	1,687,218	8,423,298	-176,535
Total Regeneration	18,904,026	3,769,940	18,017,125	-886,901

Appendix 1 – Analysis of variances

Analysis of Variances		
Service	Explanation for Variance	Variance £
Markets	Expected income shortfall of £179k due to Walsall market move offset by vacant posts (£29k) and underspends on stalls equipment (£4k).	145,182
Development & Delivery total		145,182
Building Control	Overspend on supplies & services for building control revenue account.	2,052
Development Management	Over-recovery of planning application fee income	(66,821)
Planning Services	Underspend on centralised stationery budget (£36k), vacant post (£43k) and over-recovery of land charges income (£15k).	(96,544)
Planning Policy	Vacant post	(14,421)
Planning and Building Control total		(175,735)
Asset Management	Over-recovery of rental income for shops (£46k) offset by dilapidation on Unit 1 Access Point of £45k. Under-spend on vacant posts and agency staff (£55k) partially offset by overspend on professional fees on unclassified land and buildings (£13k), and shop maintenance (£20k).	(22,992)
Building Services	Overspend on repairs and maintenance on redundant buildings (£23k) and centralised maintenance budget (£10k) based on pro-rated spend to date.	33,912
Cleaning and Caretaking	Caretaking is forecast to underspend by £14k due to value of vacant posts being greater than income shortfall of £158k. Cleaning is forecast to overspend by £219k due to recharges on internal contracts being less than cost of running service.	204,786
Design and Project Management	Shortfall against income target (£154k) offset by vacant post (£80k) and supplies and services underspend (£44k).	29,937
Facilities Management	Non-achievement of School Crossing Patrol savings (being £85k income shortfall less £74k staff vacancies). Underspend on maintenance and utilities on corporate buildings (£48k).	(38,693)
Property Services total		206,950
Economic Regeneration	As part of directorate action plan, source of staff funding amended from mainstream revenue to various reserves.	(64,747)
Strategic Regeneration		(64,747)
TOTAL		111,650

Appendix 2 – Financial Risks

POTENTIAL RISK	LOWEST COST	HIGHEST COST	ASSESSMENT OF RISK	TOTAL FINANCIAL EXPOSURE TO RISK
	£000	£000		£000
Property Service – shortfall on Building Service fee income	0	160	Medium	64
Development & Delivery – shortfall on Market Stall Income	0	750	Medium	300
Property Services - risk of overspend on centralised maintenance budget (due to brought forward saving of £249k being deducted from this budget)	0	75	Medium	30
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	1,085		414

Appendix 3 – Capital by scheme

Scheme and service area	Total Budget	Spend to Date	Forecast Spend	Forecast Variance	Reasons for variances	Under-spend	Carry forward
<u>Mainstream Resources</u>	£	£	£	£			
Asbestos Removal	62,478	41,453	62,478	0		0	0
Safe water supplies	136,810	67,734	136,810	0		0	0
Demolition of redundant buildings	141,122	23,917	141,122	0		0	0
Fire risk assessment	69,264	51,429	69,264	0		0	0
Freer Street structural works	9,854	4,107	9,854	0		0	0
Planned property maintenance	159,598	56,689	159,598	0		0	0
Shop maintenance	153,137	27,483	153,137	0		0	0
Statutory Testing	146,166	48,942	146,166	0		0	0
Civic Centre essential maintenance	371,576	0	371,576	0		0	0
Walsall Council House	81,500	13,000	81,500	0		0	0
Kings Hill Park outdoor gym	1,250	0	0	-1,250	Project complete, budget no longer required	-1,250	0
Replace heating & ventilation system in First Stop Shop	100,000	0	100,000	0		0	0
Replace heating & ventilation system within link block	100,000	0	100,000	0		0	0
Solar PV Panels	425,000	0	425,000	0		0	0
Property Services	1,957,755	334,753	1,956,505	-1,250		-1,250	0
Replacement ICT system	98,700	500	98,700	0		0	0
Planning & Building Control	98,700	500	98,700	0		0	0
Regenerating Walsall	372,923	10,617	319,453	-53,470	Programme spans more than one financial year	0	-53,470

Enabling works to office development (Gigaport)	470,126	270,176	425,126	-45,000	Second phase infrastructure works may commence on site 2014/15 but won't be complete until 2015/16	0	-45,000
New Homes Bonus	334,952	5,755	334,952	0		0	
Walsall market	20,000	0	20,000	0		0	
Acquisition of Wolverhampton Street ("Lex")	280,000	0	280,000	0		0	
Old Square Redevelopment	5,855,669	1,372,757	5,855,669	0		0	
Development & Delivery	7,333,670	1,659,305	7,235,200	-98,470		0	-98,470
Smarter Workplaces - Workplace Solutions	88,422	38,615	88,422	0		0	
Smarter Workplaces ICT	306,645	0	0	-306,645	Earmarked for telephony contact centre, project will not commence until 15/16	0	-306,645
Smarter Workplaces - Property	519,001	49,549	215,000	-304,001	Profile of planned property disposals has slipped into 15/16	0	-304,001
Smarter Workplaces	914,068	88,164	303,422	-610,646		0	-610,646
	10,304,193	2,082,722	9,593,827	-710,366		-1,250	-709,116
<u>External Resources</u>							
Willenhall THI – Heritage Lottery Fund	327,542	60,041	285,997	-41,545	Programme extended by HLF until October 2015.	0	-41,545
Willenhall THI – VIEW	139,007	60,041	139,007	0		0	0
Black Country Business Property Investment Programme ("BCBPIP")	379,645	12,645	379,645	0		0	0
Black Country Enterprise Zone	250,000	17,696	115,017	-134,983		-134,983	0
Development & Delivery	1,096,194	150,423	919,666	-176,528		-134,983	-41,545
LTP Black Country quick wins 2	71,000	51,995	71,000	0		0	0
Darlaston SDA Access	5,897,793	1,280,968	5,897,793	0		0	0

Local Sustainable Transport Fund	27,000	0	27,000	0		0	0
Local Transport Plan	1,507,846	203,832	1,507,839	-7		0	-7
Strategic Regeneration	7,503,639	1,536,795	7,503,632	-7		0	-7
	8,599,833	1,687,218	8,423,298	-176,535		-134,983	-41,552
Total	18,904,026	3,769,940	18,017,125	-886,901		-136,233	-750,668

THI – Townscape Heritage Initiative
VIEW - Visionary Investment Enhancing Walsall
SDA – Strategic Development Area

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
Asset Management	Pleck Boxing Club	118,790	-8,863	-17,726	0	101,064
Asset Management	Bryntysilio Dilapidation	250,000	-250,000	-250,000	0	0
Building Services	Property Review – resource to support savings	216,443	-87,918	-153,443	0	63,000
Building Services	Redundancy costs - 14/15 savings	7,029	-7,029	-7,029	0	0
Facilities Management	Fire risk assessment	3,036	-3,036	-3,036	0	0
Property Services		659,252	-356,846	-455,724	0	203,528
Smarter Workplaces	Smarter workplaces	591,573	-98,519	-241,455	0	350,118
Economic Regeneration	LABGI	236,896	0	-63,914	0	172,982
Economic Regeneration	Walsall Works	1,465,779	-239,846	-1,128,607	0	337,172
Strategic Regeneration	SEED/GOLD	32,734	0	0	0	32,734
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	-1,750,000	0	0
Strategic Regeneration	Technical Assistance ('TA') ERDF					
Strategic Regeneration	Partnership Contributions	13,328	0	-8,053	0	5,275
Strategic Regeneration	ERDF TA – Walsall contribution	9,151	-8,966	-9,151	0	0
Strategic Regeneration		4,038,657	-248,812	-3,490,494	0	548,163

Building Control	Building control fees	33,752	0	-33,752	0	0
Building Control	Planned partnership inspections	9,823	0	0	4,740	14,563
Development Management	Black country core strategy	130,000	0	0	0	130,000
Development Management	S106 planning	190,451	0	0	41,661	232,112
Development Management	Legal fees Waverley Mast	68,412	0	0	0	68,412
Planning Services	Planning Fees	5,718	0	0	0	5,718
Planning Services	Severn Trent	9,129	0	0	0	9,129
Planning Policy	HPDG - salary cost	44,055	0	0	0	44,055
Planning & Building Control		491,340	0	-33,752	46,401	503,989
Development & Delivery	New Homes Bonus	1,709,470	0	-80,569	0	1,628,901
Development & Delivery	LABGI - Town Centre Management	51,352	-31,935	-51,352	0	0
Development & Delivery	Uncapitalised expenditure	200,000	-82,680	-192,651	0	7,349
Development & Delivery	Dev & Del grant S106	63,877	11,512	0	11,512	75,389
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	-7,201	0	0
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	-14,143	-46,763	0	27,009
Development & Delivery	Phoenix 10	238,971	42,631	-85,389	0	153,582
Development & Delivery	BCBPIP Revenue	53,952	-11,961	-43,989	0	9,963
Development & Delivery	LEX revenue contribution	280,000	-280,000	-280,000	0	0
Development & Delivery		2,810,192	-366,641	-818,312	11,512	2,003,392
Regeneration Management	Black Country transport director	90,000	0	-54,000	0	36,000
		8,681,014	-1,070,818	-5,093,737	57,913	3,645,190