

Cabinet – 17 January 2007

Corporate Financial Performance 2006/7

Portfolio: Councillor John O'Hare – Resources

Service Area: Corporate finance

Wards: All

Key decisions: No

Forward plan: No

Summary of report

The RAG status of this report is amber as the forecast revenue outturn is an overspend of c £1.35m (0.22%) of the current gross budget. But several actions are underway, which if successful are expected to improve this position. A year end capital surplus of c £6.43m @ 31.3.07 is forecast, which is expected to be largely carried forward into 2007/8 to fund slippage on approved capital projects.

Recommendations

1. To note the following currently predicted year end forecasts:
 - A net revenue overspend of up to £1.35m (0.22% of the current gross budget), which, if no further action were taken, would leave estimated general reserves of c £4.27m. However, actions are currently being implemented to seek to further improve this position;
 - A surplus of c £6.43m on the capital programme which is largely expected to be carried forward into 2007/8.
2. To note action is being taken to seek to improve the currently forecast position.

Resource and legal considerations

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 £611.226m. **Table 1** shows the impact of the predicted year-end position on general reserves. Work is underway to reduce the forecast overspend. Action plans have been received from most overspending services and their impact is included within the report.

General Reserves

If currently predicted overspends are not reduced, year end general reserves would be c £4.27m, needing replenishment when setting the 2007/8 budget. All successful action to reduce the overspend, reduces this need. 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.

TABLE 1: PREDICTED YEAR END POSITION 2006/7	
REASON	2006/7 £M
General reserves as at 31.03.06 (post-audit)	-5.260
Plus: planned contribution to reserves	-0.355
Sub total	-5.615
Predicted revenue overspend (appendix 1)	1.348
Estimated general reserves @ 31.03.07	4.267

Earmarked Reserves and Central Contingency

Central contingency for 2006/7 is £372k. **Appendix 2** shows how this and the earmarked reserves are planned to be spent. The full impact of the recovery of carry forward overspends from 2005/6 to 2006/7 is also included within the predicted outturn.

Citizen impact

The 2006/7 policy-led budget is aligned with activity in service plans. Investment is targeted at service improvement, stability and user demand. Demonstration of financial stability and sound financial management promotes public confidence and credibility

Community safety

None directly associated with this report.

Environmental impact

None directly associated with this report.

Performance and risk management issues

The council's performance management system requires managers 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, requiring corrective action. Action is being taken and plans have been received from most overspending services. All action plans are being reviewed and signed off by the Executive Director and Portfolio Holder for the relevant service, along with the Executive Director (CFO) and Deputy Leader.

Risk management is embedded in budget preparation, monitoring and forecasting to enable potential budget variances and risks to be identified early and addressed. The figures in this report represent the most likely outcomes based on currently available information. **Appendix 3** lists significant risks that could impact adversely on the current position, which require continued active management.

Equality implications

None directly associated with this report.

Consultation

The report is prepared in consultation with relevant managers and executive directors.

Vision 2008

Robust financial management enables the council to maintain financial stability and ensure best value allocation of resources. Budgets are also linked to vision headings to deliver key priorities as part of the budget setting process via decision conferencing.

REVENUE BUDGET

Service Predicted Variances and Action Taken to Address Overspends

Managers currently reporting overspends must take action to bring spending back into line with the budget. The main overspends and the reasons for them are:

Regeneration + £0.238m

- There are risks that planning and building control (+£135k) and land charges (+£236k) will be overspent due to predicted lower income from fewer planning applications and search requests. However, Regeneration is committed to reducing this overspend by £200k.
- Markets income reduction (+£100k) resulting from the decline in the market sector and works currently taking place. This is partly offset by additional consultancy fees (-£25k). The action plan is currently anticipated to reduce this however it is considered unlikely this will mitigate the position in full.

Neighbourhood Services £0k

- Neighbourhood Services have committed to achieving their budget for 2006/07. However, there is currently a risk that this may not be fully achieved which is detailed at **Appendix 3**.

Corporate Services - £.0633m

- Finance (-£302k) - mainly due to savings on salaries and external audit core fees partly offset by a shortfall in income within financial information systems.
- Revenue and benefits (-£193k) – increase in housing benefit payment recovery.
- Human resources (+£141k) - from additional criminal records bureau checks and increases in the occupational health doctor's salary.
- Performance management and policy services (-£123k) - due to vacancy management, reduction in audit fees and supplies and services.

- Council wide services (-£129k) – the underspend is driven by the reduction in EHS (hire) costs of the server platform, partly offset by reduced income from right to buy sales, dividends and advertising.

Children and Young People + £0.652m

- Children's services (+£305k) – a predicted overspend of £400k is due to increased costs of maintaining family contact for looked after children, challenging staffing efficiency targets and additional direct payments. This is offset by a range of small underspends. An action plan is in place which is expected to reduce this position to £205k by 31.03.07.
- Print and design (+£464k) - although work has been undertaken to reduce costs and increase income, these are not predicted to be sufficient to balance the budget in 2006/07. The above figure includes a charge of £90k to correct a stock accounting error from 2004/05 and the carried forward overspend of £85k from 2005/06. A review of the Print & Design function continues.

Social Care and Inclusion + £1.037m

- An action plan to address a predicted overspend of £3.115 m (after use of reserves) has been in place since the summer and is being monitored closely. Previous indications that the position would be fully mitigated have not fully materialised so a secondary action plan is now being developed.

CAPITAL PROGRAMME 2006/7

Mainstream funded

The mainstream capital programme currently shows unallocated resources of c£6.4262m (**Table 2**). This assumes that capital schemes will continue as currently predicted by project managers.

TABLE 2 : MAINSTREAM PROGRAMME	
	£m
Capital Programme approved by Cabinet 6 March 2006	22.226
Approved slippage	8.421
Adjustment to budget for schemes now funded by mainstream not grant	5.953
Total revised programme	36.600
EXPENDITURE	
Actual expenditure as at 30 November 2006	14.294
Balance remaining at year (from cashflow forecasts)	15.880
Total forecasted capital expenditure for year	30.174
Surplus/(shortfall) in forecasted mainstream programme	6.426

Prudential Programme

In line with the treasury management strategy, £4.094m additional unsupported borrowing was used in 2005/06 as a more effective source of funding than capital receipts. This allowed receipts of £15.247m to be carried forward in line with the approved capital programme. A similar approach will be used in 2006/7 in the light of prevailing markets and the corporate financial position.

TABLE 3 : PRUDENTIAL PROGRAMME	
RESOURCES	£m
Unsupported borrowing	8.866
Resources brought forward from 2005/6	3.162
Total estimated resources	12.028
EXPENDITURE	
Actual expenditure as at 30 November 2006	6.262
Balance remaining for year (from cashflow forecasts)	3.968
Total forecasted capital expenditure for year	10.230
Surplus/(shortfall) in forecasted prudential resources	1.798

Capital Receipts

Table 4 details the anticipated level and use of receipts in 2006/7. It is planned to carry forward £9.085m of capital receipts to support the 2007/8 capital programme.

TABLE 4 : CAPITAL RECEIPTS 2006/7		
FUNDING	Actual £m	Target £m
Receipts brought forward from 2005/6	15.247	9.103
Receipts received to date 2006/7	1.683	0
Additional receipts expected by 31.03.07	5.764	8.300
Total capital receipts as at 30.11.06	22.694	17.403
Use of capital receipts 2006/7	13.609	12.364
Capital receipts carried forward to 2007/8	9.085	5.039

Non-mainstream funded

The non-mainstream capital programme currently shows an unfinanced debtor of c£2.621m to be carried forward to 2007/8 (**Table 5**). In general, grant income is received after the expenditure takes place so a time lag of funding is expected and accounted for. Monitoring ensures that grant is claimed and received on a regular basis. No scheme will be allowed to start unless an approval from the funding provider has been received to ensure that there will be no call on mainstream resources.

TABLE 5 : NON-MAINSTREAM FUNDED	
RESOURCES	£m
Grant received as at 30 November 2006	19.137
Forecasted grant to be received by 31 March 2007	13.394
Total forecast resources	32.531
EXPENDITURE	
Actual expenditure as at 30 November 2006	15.927
Balance remaining for year (from cashflow forecasts)	14.543
Total forecasted capital expenditure for year	30.470
Unfinanced debtors brought forward from 2005/6	4.682
Unfinanced debtors to be carried forward to 2007/8	-2.621
Total capital commitment	32.531
Surplus/(shortfall) in forecasted non- mainstream resources	0.000

Leasing

Leasing minimises the call on capital resources by spreading the cost over a number of years, financing the cost from revenue. Services bid for £8.375m of capital expenditure to be financed by leasing in 2006/7. £1.151m of the leasing provision has been used to date and it is planned that a further £0.852m will be used this year.

TABLE 6 : LEASING PROGRAMME	
	£m
Resources available	8.375
Leasing provision used as at 30 November	1.151
Leasing provision forecasted to be used by 31 March 2007	0.852
Surplus/ (shortfall) in leasing programme	6.372

NB: this does not result in surplus capital resources

The prudential system allows borrowing to fund the purchase of leased items. This expenditure would be treated as capital expenditure and not revenue, meaning the council buys the assets outright. The decision to lease or buy depends on several variables such as the cost of borrowing and the residual value of an asset at the end of its leased life. Before each drawdown, the council's leasing advisors recommend which financing approach is most appropriate. A vigorous evaluation is then carried out before a decision to lease or buy is made, ensuring value for money.

Capital Contingency

During a financial year a capital scheme may be introduced into the capital programme through the central contingency. £89k of the £250k contingency has been used to date.

Background papers

Various financial working papers.

Author

Dan Mortiboys - Corporate Finance Manager

☎ 01922.652982

mortiboysd@walsall.gov.uk



Signed

Carole Evans - Executive Director

21 December 2006



Signed

Cllr John O'Hare - Deputy Leader

21 December 2006

APPENDIX 2

USE OF EARMARKED RESERVES			
Reserve	Value of Reserve	Currently expected to be used in year	Balance remaining
	£	£	£
LAGBI (2 year programme of works)	1,609,581	755,000	854,581
Landfill tax scheme	207,493	207,493	NIL
Community engagement LNPs	211,354	211,354	NIL
Oracle performance improvement	250,000	250,000	NIL
Education contract	250,000	250,000	NIL
Strategic transformation	621,457	621,457	NIL
Total	3,149,885	2,295,304	854,581

USE OF CENTRAL CONTINGENCY	
	£
Budget approved for 2006/7	372,382
Less allocations:	
Legal services - additional resources to support employment locums	-87,800
Business support – to cover costs of centralising post room	-12,000
Legal services – additional resources to support child care team	-15,392
Street lighting PFI – increase in energy costs due to market rises	-50,000
Copyright licence for communications team	-8,153
Replacement of DVDs stolen from central library	-8,000
Software licence fee for web site software	-6,327
Walsall contribution to consultant costs for developing the local development framework core strategy	-85,000
Costs to commission public sector comparator modelling process	-14,644
Coroner service	-11,000
New electoral legislation	-67,000
Balance remaining as at 31.10.06	7,066

FINANCIAL RISK ASSESSMENT

DETAIL OF RISK	WORST CASE IMPACT £m
Neighbourhood services: <ul style="list-style-type: none"> • Leisure and Culture comes from under recovery of income from Walsall Illuminations. • Sports and operational services - new healthy eating legislation has increased catering costs and reduced the take up of school meals within primary schools, reducing income. This is unlikely to be fully mitigated. • Community safety / CCTV – additional costs of employing agency staff. 	<p style="text-align: right;">0.140</p> <p style="text-align: right;">0.290</p> <p style="text-align: right;">0.093</p>
Social care and inclusion <ul style="list-style-type: none"> • Non achievement of directorate action plan 	<p style="text-align: right;">1.333</p>
Regeneration: <ul style="list-style-type: none"> • Additional shortfall in planning income 	<p style="text-align: right;">0.075</p>
Children & young people: Children's social services <ul style="list-style-type: none"> • Non achievement of action plan. 	<p style="text-align: right;">0.149</p>
TOTAL RISK IDENTIFIED	<p style="text-align: right;">2.080</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.

SERVICE	ANNUAL BUDGET 2006/7			YEAR END FORECAST 2006/7 BEFORE USE OF RESERVES						Use of Reserves £	YEAR END FORECAST 2006/7		Directorate RAG Status
	EXPENDITURE £M	INCOME £M	NET £M	EXPENDITURE £M	INCOME £M	NET £M	OVER / (UNDER)		OVER / (UNDER)				
							£M	%	£		%		
Regeneration													
Regeneration	3.617	-1.653	1.963	3.862	-1.803	2.058	0.095	4.84	-0.020	0.075	3.82	R	
Planning Services	2.690	-3.141	-0.452	2.690	-2.970	-0.281	0.171	-37.81	0.000	0.171	-37.81		
Walsall Borough Strategic Partnership	0.888	-0.709	0.179	0.880	-0.709	0.171	-0.008	-4.46	0.000	-0.008	-4.46		
Total Regeneration	7.194	-5.503	1.691	7.431	-5.483	1.949	0.258	15.24	-0.020	0.238	14.06		
Neighbourhood Services													
Street Pride	34.427	-17.727	16.700	34.854	-18.314	16.541	-0.159	-0.95	0.160	0.000	0.00	G	
Asset Management	13.865	-10.262	3.603	17.241	-13.500	3.741	0.138	3.83	-0.138	0.000	-0.01		
Engineering & Transportation	12.863	-4.909	7.953	13.097	-5.069	8.028	0.075	0.94	-0.075	0.000	0.00		
Public Protection (inc. licensing, emergency planning, registrars and coroners)	4.761	-2.784	1.977	4.835	-2.845	1.990	0.013	0.63	-0.013	0.000	-0.02		
Leisure & Culture (inc elections)	19.223	-6.025	13.198	19.310	-5.876	13.435	0.237	1.79	-0.237	0.000	0.00		
Sports & Operational Services (inc. cleaning, caretaking, SCPW, catering)	16.733	-14.130	2.602	16.878	-14.168	2.710	0.108	4.13	-0.107	0.000	0.01		
Neighbourhood / Programme Management	1.944	-0.548	1.396	2.115	-0.548	1.567	0.171	12.25	-0.171	0.000	0.00		
Community safety / CCTV	1.430	-0.290	1.140	1.430	-0.290	1.140	0.000	0.00	0.000	0.000	0.00		
Total Neighbourhood Services	105.246	-56.676	48.570	109.761	-60.610	49.151	0.581	1.20	-0.582	0.000	0.00		
Corporate													
Finance (inc internal audit, insurance)	5.166	-0.685	4.482	4.807	-0.607	4.200	-0.281	-6.28	-0.020	-0.302	-6.73	G	
CWSS, NDCS & C&DC	3.602	-2.053	1.549	2.893	-1.473	1.420	-0.129	-8.34	0.000	-0.129	-8.34		
Strategic transformation team	0.984	-0.385	0.599	0.984	-0.385	0.599	0.000	0.00	0.000	0.000	0.00		
EMT	1.077	-0.002	1.075	1.102	-0.002	1.100	0.025	2.31	-0.010	0.015	1.42		
Human Resources	2.645	-0.278	2.367	2.776	-0.278	2.498	0.131	5.53	0.010	0.141	5.96		
Organisational Development	3.038	-0.903	2.136	3.030	-0.895	2.136	0.000	0.00	0.000	0.000	0.00		
Business support	8.857	0.000	8.857	8.857	0.000	8.857	0.000	0.00	0.000	0.000	0.00		
Legal and democratic services	3.288	-0.243	3.045	3.320	-0.246	3.074	0.029	0.97	-0.059	-0.030	-0.97		
Performance management	1.629	0.000	1.629	1.574	0.000	1.574	-0.055	-3.35	-0.068	-0.123	-7.53		
Policy services	0.201	0.000	0.201	0.188	0.000	0.188	-0.013	-6.66	0.000	-0.013	-6.66		
Revenue & benefits (incl. welfare services)	92.267	-89.297	2.969	90.111	-87.148	2.963	-0.007	-0.23	-0.186	-0.193	-6.50		
Total Corporate	122.754	-93.846	28.908	119.641	-91.034	28.608	-0.300	-1.04	-0.333	-0.633	-2.19		
Children and Young People													
Education	209.504	-200.508	8.996	213.601	-204.605	8.996	0.000	0.00	0.000	0.000	0.00	R	
Parent partnership service	0.112	0.000	0.112	0.112	0.000	0.112	0.000	0.00	0.000	0.000	0.00		
Youth Service	3.431	-0.029	3.402	3.766	-0.122	3.645	0.242	7.12	-0.246	-0.004	-0.12		
Childrens Services	30.179	-5.065	25.114	30.207	-4.942	25.265	0.151	0.60	0.054	0.205	0.82		
Communications & Mayoral	0.451	0.000	0.451	0.445	-0.006	0.438	-0.013	-2.79	0.000	-0.013	-2.79		
Procurement	0.714	-0.100	0.614	0.834	-0.100	0.734	0.120	19.54	-0.120	0.000	0.00		
Print & Design	1.328	-1.735	-0.407	1.272	-1.300	-0.028	0.379	-93.09	0.085	0.464	-113.98		
Total Children & Young People	245.720	-207.438	38.282	250.236	-211.075	39.162	0.879	2.30	-0.227	0.652	1.70		
Social Care & Inclusion													
Housing	12.347	-10.712	1.635	12.661	-11.029	1.632	-0.003	-0.18	0.000	-0.003	-0.18	R	
Adults social care	87.575	-37.094	50.481	89.181	-37.488	51.693	1.212	2.40	0.000	1.212	2.40		
Corporate Support	0.096	0.000	0.096	0.096	0.000	0.096	0.000	0.00	0.000	0.000	0.00		
Support Services	1.823	0.000	1.823	1.655	-0.004	1.651	-0.172	-9.44	0.000	-0.172	-9.44		
ICT	4.592	-0.154	4.438	6.365	-1.814	4.551	0.113	2.55	-0.113	0.000	0.00		
Total Social Care & Inclusion	106.433	-47.960	58.473	109.958	-50.335	59.623	1.150	1.97	-0.113	1.037	1.77		
Centrally Held Budgets													
Capital Financing	17.613	-2.975	14.637	19.007	-4.314	14.693	0.055	0.38	0.000	0.055	0.38	G	
Other Central Items	0.780	0.000	0.780	0.780	0.000	0.780	0.000	0.00	0.000	0.000	0.00		
Levies													
PTE	12.555	0.000	12.555	12.555	0.000	12.555	0.000	0.00	0.000	0.000	0.00		
Environment Agency	0.082	0.000	0.082	0.082	0.000	0.082	0.000	0.00	0.000	0.000	0.00		
Total Centrally Held Budgets	31.030	-2.975	28.055	32.424	-4.314	28.110	0.055	0.20	0.000	0.055	0.20		
Net Position as at 31.03.07	618.377	-414.398	203.979	629.452	-422.849	206.602	2.624	1.29	-1.275	1.349	0.66		

