

Scrutiny Overview Committee

28 September 2021

Quarter 1 Financial Monitoring - Forecast Revenue and Capital Outturn for 2021/22 – 2 month position ended 31 May 2021

Ward(s) All

Portfolios: All - specifically in relation to Resources and Transformation -
Cllr M Bird – Leader of the Council
Cllr A Andrew – Regeneration (Customer - Money Home Job)
Cllr G Perry – Resilient Communities (Partnerships)
Cllr M Statham – Internal Services

1. Aim

1.1 To inform the committee of the forecast financial position for 2021/22, to allow the scrutiny of the financial performance of the council and the services within the committee's remit.

2. Recommendations:

The Committee are requested to:

2.1 Note the forecast 2021/22 year-end financial position for the council as a whole – a predicted net revenue overspend of c£4.49m, and net capital break even position. Work is in hand to identify further actions to bring the revenue position in line with budget by the year end. Action continues to be taken to review revenue expenditure in light of pressures imposed by Covid-19. Any on-going pressures identified and not addressed in year will need to be considered as part of the 2022/23 budget process.

2.2 Note the forecast 2021/22 year-end financial position for services within the remit of this committee – a predicted net revenue underspend of (£0.12m) and net capital break even position, subject to full review.

3. Report detail - Know

3.1 This report summarises the forecast revenue and capital financial position for 2021/22, based on the position to May 2021, both for the council as a whole, and for services within the remit of the Scrutiny Overview Committee, as reported to Cabinet on 21 July 2021. The full Cabinet report can be accessed by the following link:

[Corporate Financial Performance 2021/22 - Cabinet 21 July 2021](#)

Council wide position

- 3.2 A number of significant risks and pressures have emerged during 2021/22 that has required action to be taken to limit the council's exposure, mainly within Adult Social Care and Children's Services. These are being managed via a combination of one-off actions (use of earmarked reserves, use of one-off grant, general efficiencies) and ongoing actions (review of existing budgets and realignments where feasible). After corrective action, there remains a predicted revenue variance above budget of c£4.49m, with the detail shown at **Appendix 1**. Work is in hand to identify further actions to bring the revenue position in line with budget by the year end.
- 3.3 The council continues to play an active role in the overall national response to Covid-19. As well as the initial costs of funding the council's response, the impact of Covid-19 includes significant loss of income following closure of services and facilities, a significant impact on the council's collection fund and delays to the delivery of approved budget savings as the council has refocused its resources on its response to Covid-19. Specific grants provided are expected to be sufficient to cover forecasted pressures. Covid-19 funding requires careful management to ensure the council is not put under any financial strain, leading to uncertainty about future financial stability. The Cabinet report identifies the current position with regards identified funding, forecast cost pressures, and the impact on approved savings in year.
- 3.4 In relation to the capital programme, the forecast is currently expected to be break even, with no carry forwards currently reported. This is based on a high level review at May 2021, but will be assessed further for the next update to Cabinet on 20 October 2021. The Cabinet report includes a number of in year amendment to the approved capital programme, mainly as a result of confirmed external funding allocations and carry forwards from 2020/21, which are detailed at **Appendix 1**.

Position for services within the remit of this committee

- 3.5 The forecast revenue outturn 2021/22 for services within the remit of this committee as at the end of May 2021, is a net underspend of (£0.12m) against budget, net of the use of earmarked reserves. Further details are shown in **Appendix 2**.
- 3.6 As referred to above, the forecast capital outturn 2021/22 is expected to be break even, with no carry forwards currently predicted. However, this is currently under review, and a further update will be provided in the next financial monitoring report to Cabinet and Scrutiny. Further details of schemes are shown in **Appendix 2**.

Resource and legal considerations:

- 3.7 This report represents the forecast revenue and capital outturn as reported to Cabinet on 21 July 2021.

Reducing inequalities:

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

4. Decide

4.1 This Committee is asked to note the forecast revenue and capital forecast for 2021/22 and consider the recommendations as set out.

5. Respond

5.1 This report is for noting by the Committee as above, and therefore no formal response is required.

6. Review

6.1 This report is for noting and review by the Committee as above, and therefore no formal response is required.

Background papers:

- Various financial working papers.
- Corporate Budget Plan 2021/22 to 2023/24, incorporating the Capital Strategy; and the Treasury Management and Investment Strategy 2021/22, as reported to Council on 25 February 2021.
- Corporate Financial Performance 2021/22, Covid-19 update, approach to Budget Setting for 2022/23, and changes to the Council's Tax Strategy, as reported to Cabinet on 21 July 2021.

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Forecast May position 2021/22 – Walsall Council

Revenue

Table 1 summarises the 2021/22 revenue budget and a forecast overspend of c£4.49m (based on the May 2021 forecast):

Table 1: Revenue Forecast 2021/22 by directorate						
Directorate	Net Budget	Year end forecast prior to transfer to / (from) earmarked reserves	Year end variance to budget prior to transfer / (From) earmarked reserves	Use of earmarked reserves	Transfer to earmarked reserves	Year end forecast
	£m	£m	£m	£m	£m	£m
Adult Social Care and Public Health	55.52	75.53	20.01	(16.06)	0.58	4.53
Children's Services						
- Children's and Education	62.48	67.34	4.86	(5.03)	0.16	0.00
- Customer Engagement	3.72	5.07	1.35	(1.35)	0.00	0.00
Economy, Environment & Communities	37.02	41.23	4.21	(4.53)	0.23	(0.09)
Resources & Transformation	25.34	27.13	1.78	(2.04)	0.30	0.05
Services Position	184.08	216.30	32.22	(29.01)	1.28	4.49
Capital Financing	23.67	27.03	3.36	(3.36)	0.000	0.00
Central budgets	(75.21)	(59.37)	15.84	(34.23)	18.40	0.00
Total council tax requirement	132.55	183.96	51.41	(66.60)	19.68	4.49

The following sections provide more detail on directorate pressures and actions being taken to address these.

Adults Social Care (£4.53m overspend after use of and transfers to reserves)

The current net forecast position is a potential over spend of £4.53m. The main reasons can be split into 'Business as usual' and 'Impact of Service Transformation Plan':

Business as usual position is (£130k) and is made up of:

- £1.14m - Procure to Pay saving carried forward from 2019/20 was £1.29m of which £150k has been validated to date on an ongoing basis and is included in the current forecast position. Further work is underway to mitigate the remaining pressure including a review of existing provider payments. A detailed plan is awaited;
- (£850k) – additional recovery of direct payment refunds based on previous year's trends and additional income from joint funding arrangements above current budget;
- (£400k) – under spend on core services within adult social including one off use of improved better care fund.

Service Transformation Plan position is £4.66m and is made up of:

- £1.55m – Older people and front door saving of £2.38m, partially achieved by the single handed proposal of £830k - this would be higher but has had to be pared back due to delays in procurement timescales. A plan is awaited as to how the remaining £1.55m is to be achieved, with some reliance on the implementation of CAMS and Resilient Communities workstreams;
- £840k – Learning disability saving of £1.62m, partially achieved by review of Learning Disability placement costs of £780k. A plan is awaited as to how the remaining £840k is to be achieved;
- £2.12m – Joint funding saving of £2.90m, partially achieved by a legally agreed pooled budget arrangement of £780k over and above the existing budget of £700k. Further work regarding the joint funding arrangements remains in progress;
- £150k – Non delivery of the Commissioning restructure benefits proposal due to delays implementing the new operating model.

Risks:

There are a number of potentially significant risks that could impact the forecast position further. Should these materialise this could lead to an increase in the overall over spend position by a further £5.92m.

- £3.23m – validation of remaining Section 117 recharges to Walsall CCG for 2019/20 and 2020/21 (awaiting formal response from CCG);
- £2.69m – adult social care benefit proposals currently identified as ‘not fully guaranteed’ (Amber), mainly relating to mitigating actions including single handling and review of learning disability packages.

Public Health (on budget)

The forecast revenue position for 2021/22 before net use of/transfer to reserves is an over spend of £680k mainly associated with short term projects partially offset with an underspend on staffing costs due to the impact of one-off funding available to support the local authority’s Covid-19 response. After net use of reserves Public Health is on budget. This includes spend on sexual health services, drug and alcohol prevention and rehabilitation services, health visiting, school nursing, control of infectious diseases, oral health promotion, healthy weight and smoking cessation services. The public health grant is ring fenced so any under spend will be rolled forward to next year in accordance with the terms of the grant.

Children’s (On budget after use of and transfers to reserves)

The initial forecast position is an overspend of £4.86m, which after the net use of planned reserves of (£4.86m) is net nil. The main reason for the current position within the service is a £239k overspend based on the current number / mix of children in care and the projected future inflow/outflow for the remainder of the financial year. The total forecast costs for the year are £26.20m against a budget of £25.96m. Earmarked reserves were set aside in 2020/21 to manage the risk of this and therefore this fully mitigates the overspend.

Risks:

There are a number of risks that could impact the forecast position further. Should these materialise this could lead to an increase in the overall overspend position by a further £2.62m. Currently reported risks are as follows:

- £150k – Demand and costs relating to legal fees;

- £1.37m – In 2019/20, there was a net increase of 108 children & young people entering care in comparison to 58 in 2020/21. If this spike were to happen again in 2021/22 costs could increase over and above the growth included in current budgets;
- £100k – risk that demands for assessment continue to increase above capacity of the Educational Psychologist team, therefore incurring additional agency cost;
- £1.00m - Home to School Transport:
 - £600k – risk of increased demand over and above expected growth, increased complexities of children transported, increased number of EHCPs being completed via SENDI services and a rise in out of borough placements.
 - £400k – increased costs relating to additional transport that may be needed linked to special school expansions following outcomes of current review of demand on special school places.

Customer Engagement (On budget after use of and transfers to reserves)

The main risk within customer engagement is £500k for Customer Access Management dispersed effort, which is currently under review.

Economy, Environment and Communities (£88k underspend after use of and transfers to reserves)

Reasons for the current position within the service:

- (£80k) - Clean & Green & Leisure Services – Service Transformation Plan savings £173k mitigated by net employee costs;
- £50k – Highways & Transportation - £25k Shortfall of income from capital projects and one-off £25k repairs and maintenance costs in relation to the Salt Barn;
- £85k – Planning & Building Control – relating the Service Transformation Plan saving regarding the restructure which is yet to be mitigated;
- (£160k) – Resilient Communities – Service Transformation Plan savings £532k mitigated by vacant posts, one off use of Contain Outbreak Management Funding and charging of some salary costs to Public Health.

There is an additional high risk in relation to potential further income shortfalls within the Active Living Centres of £180k.

Resources and Transformation (£51k overspend after use of and transfers to reserves)

The main areas of variance to budget include:

- (£96k) Soft IFM – Under recovery on income offset by savings on vacant posts and general running costs;
- £122k legal – due to additional demand based on 6mths of 5 agency staff.

Update on approved benefits

A robust risk assessment of the 2021/22 budget was undertaken prior to the budget being set in February 2021. Action was taken corporately in year to address ongoing demand and cost pressures with services, mainly within Children's Services and Adult Social Care. Significant investment has been included within the 2022/23 budget to manage the identified demand pressures within Adult Social Care and Looked after Children.

The report to Cabinet on 21 July 2021 outlines the impact on reserves, a review of the impact of Covid-19 on the council, financial and prudential indicators, MTFO update, and an outline budget approach to the 2022/23 budget.

The 2021/22 budget approved by Council on 25 February 2021 includes £28.90m of benefits realisation (savings) against Proud activity. Directors are required to ensure that service delivery plans are developed to fully deliver these in year.

All benefits with a high risk of not being delivered will require a high level delivery plan with key milestones including any corrective action to be produced. There are currently high risk benefits of £7.58m, as shown in Appendix 3 of the report to Cabinet on 21 July 2021, along with the reason and proposed mitigating actions totalling £3.09m, including £905k approved to be funded from one off Covid-19 grant in 2021/22, with the expectation that these are delivered in full in 2022/23. Mitigating actions reduce the potential overspend to £4.49m as at May 2021 as referred to in **Table 1**.

Capital

The capital programme for 2021/22, as approved by Council on 25 February 2021 was £103.76m. Table 2 summarises amendments made to date, resulting in a revised programme of £223.17m.

Table 2: Amendments to Capital Programme 2021/22	
Project	£m
Capital programme 2021/22 per Council 25 February 2021	103.76
Council Funded Resources	
Carry forwards from 2020/21 – as approval by Cabinet on 16 June 2021	38.87
Proud card payments digital website	(0.20)
Telephony cloud based system	(0.30)
One Source	0.50
Transit Site - budget used in 2020/21	(0.03)
Externally Funded	
Carry forwards from 2020/21 – as approved by Cabinet on 16 June 2021	75.33
BEIS Local Authority Delivery Scheme (LADS)	2.06
Pothole Fund	1.19
LTP Highway Maintenance Programme	(0.80)
LTP Bridge Strengthening	0.20
West Midlands Strategic Transport Plan (STP) 'Movement for Growth'	0.02
Incentive fund	0.31
Land and Property Investment Fund	0.11
Integrated Community Equipment Store	0.08
Black Country Blue Network - ERDF	0.04
Black Country Blue Network -S106	0.03
Capital Maintenance	2.00
Revised capital programme 2021/22	223.17

As at May 2021 the capital programme is expected to be on budget with no carry forwards currently being reported into 2022/23. This is based on a high level review at May 2021, but will be assessed further for the next update to Cabinet on 20 October 2021.

Forecast May position 2021/22
Services within the remit of the Scrutiny Overview Committee

Revenue

The forecast revenue outturn for 2021/22 for the services under the remit of the Scrutiny Overview Committee is an underspend of (£0.12m), net of the use of earmarked reserves, as shown in **Table 3**. The forecast revenue outturn shown is based on actual information from the financial system as at the end of May 2021, and discussions with managers regarding year end forecast and achievement of approved savings:

Table 3: Forecast revenue analysis 2021/22 by Service			
Service	Annual Budget	Draft Outturn after use of and transfer to Earmarked Reserves	Variance to Budget
	£m	£m	£m
Economy, Environment & Communities			
Communities and Partnerships	1.89	1.79	(0.10)
Children Services			
Money Home Job / Housing Standards	3.72	3.72	0
Adult Social Care			
Print & Design / Communications	0.92	0.88	(0.04)
Resources and Transformation			
Democratic Services	1.62	1.62	0
Legal	1.93	2.05	0.12
Electoral Services	0.39	0.39	0
Finance	4.40	4.40	0
Corporate Assurance	0.53	0.53	0
Human Resources	3.18	3.16	(0.02)
Corporate Landlord	5.91	5.81	(0.10)
Payroll & Pensions	0.12	0.14	0.02
Procurement	0.76	0.78	0.02
Transformation & Digital	5.57	5.55	(0.02)
Total Services within remit of Committee	30.94	30.82	(0.12)

Total earmarked reserves of £8.20m are available for use in 2021/22 (where approval has been given by Cabinet for additional funds for specific services). Within the reported outturn position a total of £4.60m of earmarked reserves are forecast to be used. It is expected that this figure will rise during the year as levels of activity become clearer.

The main variances are summarised in **Table 4** below.

Table 4 – Reasons for revenue outturn variance		
Service	Variance £m	Explanation of Year End Outturn
Communities & Partnership	(0.10)	Underspend on staffing due to 6 months delay in RC restructure of which Red STP benefits fully mitigated by savings from keeping post vacant and salary costs transferred to COMF grant.
Money Home Job / Housing Standards	0	
Print & Design / Communications	(0.04)	Underspend on staffing and print and design costs
Democratic Services	0	
Legal	0.12	Overspend on agency offset by vacant posts
Electoral Services	0	
Finance	0	
Corporate Assurance	0	
Human Resources	(0.02)	Underspend on salaries and supplies offset by income shortfall
Corporate Landlord	(0.10)	Mainly Crossings due to vacant posts, Cleaning, Catering and Post Room underspend offset by overspends in Box Office and Caretaking
Payroll & Pensions	0.02	Mainly under recovery of income
Procurement	0.02	Overspend on agency offset by salaries underspends
Transformation & Digital	(0.02)	Underspend on salaries while implementing phase 1 of ITOM
Total Services within remit of this Committee	(0.12)	

Where overspends are predicted, managers are required to identify remedial action that can be made within the service, and to report this as part of an action plan. Work to identify mitigating actions is in progress. It is expected that the majority of the forecast overspends within services will be mitigated in year through efficiencies in the directorate as a whole.

Included within the budget for 2021/22 for services within the remit of this Committee are £7.60m of approved savings. **Table 5** gives an early indication of the progress towards implementing these benefits:

Table 5: Delivery of 2021/22 approved savings – Services within the remit of this Committee

Saving	Total savings £m	Delivered (Blue) £m	To be delivered by 31/03/22 (Green) £m	Not fully guaranteed (Amber) £m	Not achieved (Red) £m
Economy, Environment and Communities					
OP72 – Restructure of resilient communities	0.407	0	0.203	0	0.204
OP101 – Restructure in voluntary & community sector	0.064	0	0.032	0	0.032
OP105 – Review of CCTV contract	0.043	0	0.043	0	0
Children’s Services					
OP98 – Restructure within Money Home Job	0.925	0.610	0	0	0.315
OP99 – MHJ accuracy of checking claims	0.150	0	0.150	0	0
P11 – Introduce council tax penalty charge	0.150	0	0.150	0	0
Adult Social Care					
OP32 – Printing – paperless council meetings	0.013	0	0	0.013	0
Resources and Transformation					
OP33 – Legal –review of charges to school admission appeals	0.020	0.020	0	0	0
OP34 – Electoral Services – modernisation of canvassing system	0.005	0.005	0	0	0
OP35 – Legal efficiencies	0.067	0	0.034	0	0.033
OP36 – Legal barrister framework	0.035	0	0.035	0	0
OP39 - Restructure of Finance Function to strengthen strategic financial planning	0.241	0	0.241	0	0
OP40 - Finance - Review of Treasury / debt management costs	0.060	0.060	0	0	0
OP41 - Accounts Payable - Use of automated invoice validation process	0.052	0	0.052	0	0
OP43 - Review of Insurance team costs	0.099	0.065	0.034	0	0
OP44 - Finance - review and reduction in transactional activity	0.173	0	0.173	0	0
OP45 - Finance - Schools Traded Service team cost recovery	0.019	0.019	0	0	0
OP46 - Finance - Implementation of Walsall Supplier Early Payment Scheme	0.092	0.092	0	0	0
OP52 - Facilities Management - school catering and caretaking traded services review	0.140	0.140	0	0	0
OP53 – Facilities Management – review of process and service standards	0.191	0.093	0.098	0	0
OP54 – Facilities Management – review of ways of working – post room/postage	0.096	0.013	0	0	0.083
OP55 – Facilities Management – review admin structure and ways of working	0.022	0.022	0	0	0
OP56 – Facilities Management – value for money on repairs and maintenance	0.090	0.090	0	0	0
OP57 – CPM – review structure	0.053	0	0.053	0	0
OP37 – Legal – review of schools charges	0.007	0.007	0	0	0
OP38 – Legal – efficiencies from law books	0.015	0.015	0	0	0
OP47 – ICT photocopier usage / printing	0.065	0.005	0.030	0.030	0
OP48 – ICT infrastructure / cloud navigation	0.155	0.005	0.030	0	0.120
OP49 – ICT centralisation of IT across council	0.064	0	0	0	0.064
OP59 – HR restructure	0.100	0	0	0	0.100

Saving	Total savings £m	Delivered (Blue) £m	To be delivered by 31/03/22 (Green) £m	Not fully guaranteed (Amber) £m	Not achieved (Red) £m
OP60 – HR ceasing of physio contract	0.012	0.012	0	0	0
OP108 – ICT review of mobile phone contracts	0.029	0.029	0	0	0
OP109 – Admin & Business Support cross council efficiencies	0.300	0	0	0	0.300
OP4/18/22/31/51/58/75/85 Admin review efficiencies upon consolidation	0.552	0	0.339	0	0.213
P4 – Facilities Management – organisational redesign – client model	0.196	0	0.196	0	0
P5 – HR Occupational Health contract	0.008	0.008	0	0	0
P15 – Finance change to MRP	2.889	0	2.889	0	0
Total approved savings for services within remit of Committee	7.599	1.310	4.782	0.043	1.464

Each benefit is “BRAG” categorised as follows:

- Blue (delivered);
- Green (on track to be delivered with no issues at year end of 2021/22);
- Amber (not guaranteed at this stage but no major issues expected, some management action needed to ensure delivery) or,
- Red - (at high risk of not being achieved either in part or in full and therefore a robust delivery plan is required);
- A WPP resource plan has been agreed to provide additional support towards delivery. All **RED** and **AMBER** benefits will require a high level delivery plan with key milestones including any corrective action to be produced;

Capital

The capital programme for services within the remit of this Committee, as at the end of May 2021, is £35.91m. It is currently assumed that all schemes will be delivered in year, which will be fully reviewed and a further update provided at quarter 2. A list of schemes within the remit of this committee is shown in **Table 6**.

Table 6 – Capital Outturn 2021/22 – Services within the remit of this Committee

Scheme	2021/22 Budget £m	Estimated Outturn £m	Variance £m
Council Funded schemes			
Rolling programme – health and safety schemes	1.284	1.284	0.000
Flexible use of Capital Receipts - transformation	4.000	4.000	0.000
Central contingency	0.080	0.080	0.000
Procurement system for HRMS and Oracle EBS	0.658	0.658	0.000
Oracle EBS Archive	0.334	0.334	0.000
Civic Centre heating	1.147	1.147	0.000
Council House rewiring	0.166	0.166	0.000
Council House smoke and detection fire alarm	0.327	0.327	0.000
Council House general heating	2.174	2.174	0.000
Operational repair & maintenance of council buildings	0.336	0.336	0.000
Schools project	0.099	0.099	0.000
Council House secure reception	0.026	0.026	0.000
Council House internal decoration	0.044	0.044	0.000
Willenhall Lane travellers site	0.044	0.044	0.000
Security arrangements for corporate buildings	0.125	0.125	0.000
Civic Centre plumbing	0.066	0.066	0.000
Council House windows	1.307	1.307	0.000
Council House roof repairs	0.750	0.750	0.000
Computer aided facilities management system	0.250	0.250	0.000
Rushall Olympic Football Club	0.006	0.006	0.000
Aids and Adaptations	0.822	0.822	0.000
Health through warmth	0.088	0.088	0.000
CCTV	0.229	0.229	0.000
Council Chamber refurbishment	0.150	0.150	0.000
MyCMIS	0.027	0.027	0.000
Webcasting and hybrid council meetings	0.020	0.020	0.000
Data backup system replacement	0.050	0.050	0.000
Essential Microsoft upgrade & foundation for Office365	0.058	0.058	0.000
ICT safe and secure environment	2.556	2.556	0.000
Single mobile devices for use with in-house platform	0.035	0.035	0.000
Resource and consultancy to upgrade win008 server	0.008	0.008	0.000
Proud ICT	0.113	0.113	0.000
Enabling Technology	11.300	11.300	0.000
Telephony cloud based system	0.499	0.499	0.000
Proud card payments digital website	0.750	0.750	0.000
Smartphones	0.200	0.200	0.000
Externally Funded schemes			
Purchase of dispersed temporary accommodation	0.255	0.255	0.000
Warm homes	0.301	0.301	0.000
Disabled Facilities Grant	2.894	2.894	0.000
Off gas scheme	0.272	0.272	0.000
BEIS LADS Round 1B	2.058	2.058	0.000
Total Capital – Services within the remit of this Committee	35.908	35.908	0.000