

## **Cabinet – 27 July 2016**

### **Corporate Financial Performance 2016/17**

**Portfolio:** Councillor S. Coughlan – Leader of the Council

**Related portfolios:** All

**Service:** Finance – council wide

**Wards:** All

**Key decision:** No

**Forward plan:** No

#### **1. Summary of report**

1.1 The report provides the latest forecast of the revenue and capital position for 2016/17 as at 30 May 2016.

- (i) A forecast revenue overspend of £3.56m, after use of reserves and assuming successful delivery of corrective action plans. This will reduce to £2.56m should Cabinet approve the use of £1m general reserves.
- (ii) A number of amendments to the capital programme for approval, as set out in section 3.8 of the report.
- (iii) The forecast on the council funded capital is currently on budget.
- (iv) Performance against an agreed set of financial health indicators

#### **2. Recommendations**

Cabinet is requested to:

- (i) Note the revenue forecast overspend of £3.56m.
- (ii) Note the forecast on the council funded capital programme is expected to be on budget.
- (iii) Approve the amendments to the capital programme as set out in section 3.8.
- (iv) Approve the use of £1m general reserves as detailed in section 3.3.6. This will reduce the revenue forecast overspend to £2.56m.
- (v) Approve the use of investment not required in year to be utilised to reduce the pressures within Adult Social Care as detailed in section 3.3.4.
- (vi) Note financial health indicator performance as set out in Appendix 1 (to follow).

#### **3. Report Detail**

3.1 Cabinet receives regular financial reports to allow it to oversee the financial performance of the council and consider plans for corrective action, and therefore is familiar with the significant level of demand pressures being faced by Adult Social Care and Children's in particular.

### 3.2 Revenue Forecast 2015/16

3.2.1 Walsall Council has a strong track record of managing financial pressures and action has been taken to mitigate current and future cost pressures, however demand pressures within Adult Social Care and Children's continue to increase. The current forecast shows an overspend of £3.56m after to corrective actions of £3.18m expected to be delivered in year. This will reduce to £2.56m should Cabinet approve the use of £1m of general reserves.

3.2.2 Table 1 below summarises the 2016/17 budget and the draft outturn. The summary shows directorate forecasts prior to corrective action along with the impact of such actions plans.

<b>Table 1: Forecast revenue analysis 2016/17 by Directorate</b>						
<b>Directorate</b>	<b>Net Budget £m</b>	<b>Year end forecast * £m</b>	<b>Forecast Variation to Budget (Under) / Over £m</b>	<b>Mitigating Action £m</b>	<b>Revised year end forecast £m</b>	<b>Forecast (Under)/ Over- spend £m</b>
Children's Services	44.88	45.16	0.28	(0.19)	44.97	0.09
Economy & Environment	35.92	35.98	0.06	0.00	35.98	0.06
Change & Governance	27.86	30.94	3.08	(1.35)	29.59	1.73
Adult Social Care	62.64	64.98	2.34	(1.64)	63.34	0.70
<b>Services Position</b>	<b>171.30</b>	<b>177.06</b>	<b>5.76</b>	<b>(3.18)</b>	<b>173.88</b>	<b>2.58</b>
Capital Financing	17.49	17.41	(0.08)	0.00	17.41	(0.08)
Central budgets	(87.80)	(86.74)	1.06	0.00	(86.74)	1.06
<b>Total council tax requirement</b>	<b>100.99</b>	<b>107.73</b>	<b>6.74</b>	<b>(3.18)</b>	<b>104.55</b>	<b>3.56</b>

Additionally, there are some significant existing and emerging risks including which are currently being managed but which, if they occur, will require some further action:

In Children's;

- Potential further increases in the number and mix of looked after children throughout the year. Dependent on the numbers and the care provision required this could equate to between £450k and £1.2m.
- £825k of high risk savings including a risk of £202k relating to the saving proposal associated with an increase in vacancy management. Work is ongoing to identify what proportion of this saving is likely to be achievable. The remaining Amber risks of £624k include savings approved for SEN, internal residential, fostering and adoption and LAC.

In Adults;

- Changes to the allocation of section 117 costs of £1.7m.

- Changes to the allocation of costs within the learning disability pooled budget of £1.6m.
- Increased pressure on client placement and package costs of £2m.
- Potential write off of debts c£2m.

#### In Economy and Environment

- Clean and green – increase in waste arisings and / or non diversion of waste / increased contamination of co mingled waste and fluctuating gate fees from new recycling disposal contract £435k.
- Planning – shortfall in planning application / land charges fee income £170k.

### 3.3 Directorate Summary and Significant Changes

#### 3.3.1 *Children's Services*

The total forecast spend in Children's services, incorporating delays and variance to 2016/17 savings along with the pressure of additional social workers and safeguarding officers, is currently estimated at £2.5m above the original budget. In year actions of £2.41m have been identified to partially offset the overspend, of which £2.22m have been delivered and included in the forecast position leaving £190k to be delivered by 31/03/2017. The remaining £91k balance relates to the Youth Justice Service and the need to recruit to vacant posts. Work is ongoing within Children's services to identify appropriate mitigating action.

Following a review of current levels of caseloads and the numbers allocated across the social worker establishment within Children's, an increase of 25.6 additional social workers has been identified. This additional support will ensure caseloads per social worker are at a level where successful outcomes for children are achieved, and provide a platform to encourage permanence within the workforce by setting a maximum caseload threshold.

The total full year cost of these additional social workers assuming they are filled via agency in the first instance, will be c £1.6m. Due to recruitment delays, costs of £1.2m are anticipated for 2016/17 with circa £600k of this cost funded via identified realignment of mitigating actions within Children's services. The remaining balance of c£600k is funded via an earmarked reserve as approved by Cabinet in April 2016.

#### 3.3.2 *Economy and environment*

Economy and Environment is currently forecast to be overspent by £61k. This is due to shortfalls in Markets income and increased volume and cost of tonnage in Waste partly offset by salary underspends.

#### 3.3.3 *Change and Governance*

The directorate is currently predicting an overspend of £3.07m before mitigating action of £1.35m reducing the overspend to £1.72m. There is a reserve approved to fund pressures within Money Home Job which will be allocated if required of £500k which would reduce the currently reported overspend of the directorate to £1.22m.

Integrated Facilities Management – The service continues to face significant financial pressures. There is a predicted £1m shortfall in design fee income, along with increased maintenance costs of £733k. This is partly offset by driving efficiencies in

energy usage which reduces costs by £150k with a further £250k included as part of the directorate action plan. This leaves the service with a forecast overspend of £1.33m.

Money Home Job – pressures from previous years continue to affect this service due to the changing landscape of welfare reforms. An overspend of £1.6m is predicted as a result of being unable to claim back housing costs for vulnerable residents from central government. The service has drawn up an action plan to mitigate (£1.1m) by releasing service budgets and by generating more income through housing benefit overpayment recovery and recovery of court costs for non payment of council tax. This leaves Money Home Job with a predicted overspend of £500k.

Other services with the directorate are predicting a underspend of £104k, mainly due to holding vacant posts.

#### 3.3.4 *Adult Social Care*

The directorate is forecasting an over spend of £2.34m prior to corrective action. The pressures arise from a number of elements:

- Non achievement of 2016/17 commissioning saving of £2.15m due to ongoing pressures on package and placement costs (arising from the increasing ageing population and the pressure from hospital admissions). The delay in fully implementing the review team has also meant that the numbers of reviews are lower than expected.
- Impact on the delay to implement the 2016/17 employment and day opportunities saving of £288k. The target date was 1 April 2016 and this is now expected to be 1 June 2016.
- Staffing implications from implementation of new structure £126k
- Additional procurement and commissioning support £103k
- Delays in implementation of the Winterbourne programme (£120k)
- The above has been partly offset by £234k due to dilapidations for Electrium Point (Links to Work) actual costs being significantly less than the original amount.

It has been identified that c£600k of investment given for 2016/17 relating to increases in tender rates will now not be required in year and has been included as part of the forecasted position. This will be one off in 2016/17 as funding will be required in 2017/18. Cabinet are requested to approve the use the investment not required in year to reduce the overspend.

Cabinet are also requested to approve the investment of £375k linked to the Housing 21 budget saving to now be used as part of the 2016/17 Adult Social Care action plan as any additional demand following the review of housing related support services will be managed within existing resources.

An action plan is currently being developed which seeks to mitigate the remainder of this pressure as far as possible.

#### 3.3.5 *Capital Financing*

The current forecast is an underspend of £80k arising from additional

### 3.3.6 Central budgets

Currently forecasting an overspend of £1.06m. The main reason for the overspend relates to the budget saving of £1m for changes in employee terms and conditions. At Personnel Committee on 28 June 2016 it was approved that the changes in employee terms and conditions would not be implemented until 1 April 2017 resulting in the saving for 2016/17 not being achieved. Cabinet are requested to approved the use of £1m of general reserves to fund the overspend.

### 3.6 Local Authority Mortgage Scheme (LAMS)

Up to the end of April 2016, 77 mortgages have been supported through the LAMS scheme using £1,601,916 of the indemnity cover and a further 1 mortgage applications are being processed which when completed will use up a further £30,000.

### 3.7 Business Rates Retention Scheme

The new scheme was introduced from 1 April 2013 which was intended to encourage economic growth and transferred risks previously borne by Government to local authorities. Any shortfall in income due to changes in rateable value, successful appeals, exemptions and discounts against what was originally estimated and included within the council's budget will result in a deficit on the collection fund.

As at the end of 2015/16 the total non domestic rates (NDR) collection fund deficit was £9.188m. To calculate the cost to the general fund in 2016/17 the actual deficit from 2014/15 is adjusted for the estimated deficit for 2015/16 of £10.155m. Walsall will have to fund £4.976m (49%). This will reduce the amount of income due to the general fund in 2016/17 and has been accounted for.

The Chancellor in the autumn statement announced changes to fully localise BRR by 2019/20. This is likely to create a further significant risk to Walsall, due to the current value of appeals in the system. The Government currently funds 50% of the estimated shortfall. By 2019/20 Walsall will have to fund 100% of the deficit.

### 3.8 **Capital Programme 2015/16**

The capital programme as reported to Council on 25 February 2016 totalled £72.33m. **Table 2** summarises amendments, resulting in a programme of £102.05m.

<b>Table 2 : Amendments to Capital Programme 2016/17</b>	
	<b>£m</b>
<b>Capital programme 2016/17 per Council 25 February 2016</b>	<b>72.33</b>
<b>Council Funded Resources</b>	
Carry forwards / re-profiling of budgets from 2015/16 to 2016/17	8.03
Highways maintenance DfT challenge fund local contribution – confirmation	(0.01)
Leisure management system	0.05
Public Lighting Invest to Save for replacement LED lighting *	0.06
ICT requirements to cater for blending transitioned services into WMBC *	0.04
	<b>£m</b>
Walsall Green Pathways*	0.02
Rushall skate park*	0.01
Replacement of wooden Trim Trail at King George V playing fields*	0.02
<b>Prudential</b>	

Carry forwards / Re-profiling of budgets from 2015/16 to 2016/17	0.66
<b>Specifically Funded / Grant Schemes</b>	
Carry forwards / Re-profiling of budgets from 2015/16 to 2016/17	19.61
Darlaston strategic development area access project – confirmation	(0.54)
LTP highways maintenance programme – confirmation	(0.19)
Growth deal – confirmation	1.95
Local transport plan (LTP) – confirmation	0.01
<b>Revised capital programme 2016/17</b>	<b>102.05</b>

**Table 3** summarises the 2016/17 capital programme and forecast outturn after the re-phasing of projects into 2017/18.

<b>Table 3: Forecast capital analysis 2016/17</b>					
<b>Directorate</b>	<b>Budget £m</b>	<b>Predicted year end forecast £m</b>	<b>Variance before Carry forward £m</b>	<b>Carry Forward £m</b>	<b>Variance Over / (Under) £m</b>
Council funded	20.60	18.63	(1.97)	(1.97)	(0)
Externally Funded	81.45	79.29	(2.16)	(2.16)	(0)
<b>Total</b>	<b>102.05</b>	<b>97.92</b>	<b>(4.13)</b>	<b>(4.13)</b>	<b>(0)</b>

The council funded element of the capital programme currently shows predicted re-phasing of £1.97m and a further £2.16m in relation to externally funded projects from 2016/17 to 2017/18 as shown in **table 4**. Re-phasing occurs for a number of reasons such as late confirmation of grants approvals, timing of projects which may fall over more than one financial year, contract delays out of our control as awaiting funding or Government approval, etc.

<b>Table 4 : Re-phasing of Council funded schemes 2016/17 to 2017/18</b>	
<b>Project</b>	<b>£m</b>
<b>Council Funded</b>	
Rushall Primary / EDC alterations	0.55
Walsall Market	1.41
Bentley Community Facility	0.01
<b>Externally Funded</b>	
Basic Need	0.28
LTP Yorks Bridge	1.88
<b>Total</b>	<b>4.13</b>

### 3.9 Financial Health Indicators

Appendix 1 contains financial health indicator performance as at quarter 1. The primary purpose of these is to advise Cabinet of the current financial health of the authority in order to provide assurance to them in their role. The indicators cover a number of areas as follows:

## Treasury Management

The indicators show the actual borrowing and investment rates for 2015/16 and the forecast for 2016/17 against set targets. Most indicators are forecast to be achieved with positive variances against net borrowing cost.

## Balance Sheet

This details ratios for the last 4 financial years 2012/13, 2013/14, 2014/15 and pre-audit figures for 2015/16 which show the liquidity of the authority. The increase in long term borrowing: tax revenue ratio is due to a decrease in tax revenue and not due to an increase in borrowing.

## Revenue performance

This section shows collection rates for council tax and business rates, the average number of days to collect sundry debt and the number of days to process creditor payments for 2015/16 and the performance against profile for 2016/17. Sundry debt collection has exceeded the profile by 2 days with the number of days to process creditor payments being on target. Council tax and business rates collection are both on target.

## Corporate financial performance - revenue

This section details the outturn position for 2015/16 (pre audit) and 2016/17 year-end forecast for revenue and capital, which is based on the financial position as at 30 May 2016.

The current revenue forecast for 2016/17 is an overspend of £3.56m after successful delivery of corrective action plans. Further detail on this is contained in section 3.3 and 3.8 of this report.

## Corporate financial performance – capital

Mainstream capital (funded from the council's own resources) is expected to be on budget after £1.97m of projects re-phased into 2017/18 as set out in section 3.8 above. Capital receipts are expected to over achieve by £133k.

## **4. Council Priorities**

4.1 The budget is set to ensure that resources follow council priorities.

## **5. Risk Management**

5.1 Risk management is embedded in budget monitoring and forecasting to enable potential budget variances and risks to be identified early and addressed. A number of assumptions have been made in the forecast figures by managers. Significant risks have been identified, monitored and reported on throughout the year, as appropriate. See section 3.2 of the report for further details.

## **6. Financial Implications**

6.1 The implications are as set out in this report. Any deficit at year end will require funding from general reserves, reducing the level of reserves available for future use.

**7. Legal implications**

7.1 The council is required to set and operate within a balanced budget.

**8. Property implications**

8.1 None directly associated with this report.

**9. Health and wellbeing implications**

9.1 This report is prepared with consideration of health and wellbeing implications.

**10. Staffing Implications**

10.1 None directly associated with this report.

**11. Equality implications**

11.1 None directly associated with this report.

**12. Consultation**

12.1 The report is prepared in consultation with the Chief Finance Officer, relevant managers and executive directors.

**Background papers:** Various financial working papers.

**Contacts:**

Vicky Buckley - Head of Finance ☎ 01922 652326 [Vicky.Buckley@walsall.gov.uk](mailto:Vicky.Buckley@walsall.gov.uk)

Jennie Collier - Senior Accountancy Officer ☎ 01922 652350 [Jennie.Collier@walsall.gov.uk](mailto:Jennie.Collier@walsall.gov.uk)



James Walsh  
Chief Finance Officer  
11 July 2016



Councillor S Coughlan  
Leader of the Council  
11 July 2016



## Appendix 1

### Financial Health Indicators – Qtr 1 2016/17

<b>Treasury Management</b>	<b>2015/16 Actual</b>	<b>2016/17 Target</b>	<b>2016/17 Actual</b>
Average Interest Rate (Borrowing)			
- Excluding OLA	4.43%	4.61%	4.51%
- Including OLA	4.54%	4.72%	4.64%
Gearing Effect on Capital Financing Estimates	3.51%	5.0%	5.3%
Net Borrowing Costs / Council Tax Requirement and NNDR contribution	10.67%	13.5%	10.7%
Capital Financing Requirement (£m)	328.018	343.728	322.971
Authorised limit for external Debt (£m)	357.585	360.695	360.695
Investment Rate Average	1.29%	1.1%	1.21%

<b>Balance Sheet Ratios</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16 (pre-audit)</b>
Current Assets : Current Liabilities	2.70	2.75	2.44	1.77
Useable Reserves : General Revenue Expenditure	0.58	0.53	0.66	0.57
Long Term Borrowing : Tax Revenue (Using both council tax and NNDR for tax revenue)	1.13	1.71	1.69	1.45
Long Term Assets : Long Term Borrowing	1.84	1.98	2.10	2.28
Total School Reserves : Dedicated School Grant	0.08	0.09	0.09	0.07

<b>Revenues Performance</b> % collected for financial year	<b>2014/15 Actual Collected in total @ 30.06.16</b>	<b>2015/16 Actual Collected in total @ 30.06.16</b>	<b>2016/17</b>	
			<b>Profiled 2016/17</b>	<b>Actual 2016/17</b>
Council tax %	97.80%	95.40%	26.50%	26.80%
Total Council Tax collected (£m)	97,066,406	103,271,809	30,200,000	30,525,282
National Non Domestic Rate %	98.40%	97.90%	31.50%	31.30%
Total NNDR collected (£m)	67,496,633	69,468,570	23,000,000	22,895,202

<b>Debtors and Creditors Performance</b>	<b>2015/16 Actual</b>	<b>2016/17</b>	
		<b>Profiled Qtr</b>	<b>Actual Qtr</b>
Sundry Debtors Collection – Average number of days to collect debt	21 days	30 days	28 days
Average number of days to process creditor payments	14 days	14 days	14 days

<b>Management of Resources</b>	<b>2016/17</b>		
<b>Service Analysis</b>	<b>Target</b>	<b>Actual</b>	<b>Variance</b>
Children's Services	44,878,782	44,972,118	93,336
Economy and Environment	35,924,318	35,984,825	60,507
Adult Social Care	62,644,413	63,344,399	699,986
Change and Governance	27,857,368	29,586,783	1,729,415
Council Wide	45,887,019	46,866,539	979,520
RSG/NNDR	(116,201,007)	(116,201,007)	0
<b>Total</b>	<b>100,990,893</b>	<b>104,053,657</b>	<b>3,562,764</b>
General Reserves	<b>Min £6.2m Max £12.4m</b>	<b>N/A</b>	<b>N/A</b>
Council Funded Capital Expenditure	17,840,475	15,865,564	(1,974,911)
Grant Funded Capital Expenditure	81,445,885	79,286,830	(2,159,055)
Prudential Expenditure	2,759,559	2,759,559	0
<b>Total Capital Expenditure</b>	<b>102,045,919</b>	<b>97,911,953</b>	<b>(4,133,966)</b>
Capital Receipts	2,770,000	2,903,100	133,100

<b>Management of Resources</b>	<b>Actual 2015/16 Pre-audit</b>		
<b>Service Analysis</b>	<b>Target</b>	<b>Actual</b>	<b>Variance</b>
Children's Services	53,698,003	53,742,526	44,523
Economy and Environment	55,355,991	54,051,088	(1,304,903)
Adult Social Care	58,673,335	60,405,244	1,731,909
Change and Governance	19,551,989	19,772,647	220,658
Council Wide	29,912,582	28,519,505	(1,393,077)
RSG/NNDR	(123,488,933)	(123,488,933)	0
<b>Total</b>	<b>93,702,967</b>	<b>93,022,077</b>	<b>(700,890)</b>
General Reserves	<b>Min £6.3m Max £12.5m</b>	<b>£14.131m</b>	<b>N/A</b>
Council Funded Capital Expenditure	17,551,343	10,378,157	(7,173,186)
Grant Funded Capital Expenditure	67,015,433	56,620,208	(10,395,225)
Prudential Expenditure	19,162,959	18,811,350	(351,609)
<b>Total Capital Expenditure</b>	<b>103,729,735</b>	<b>85,809,715</b>	<b>(17,920,020)</b>
Capital Receipts	1,475,000	197,727	1,277,273

## What this tells us

<b>Treasury Management</b>	
Average Interest Rate (Borrowing)	The average interest rate we are paying on the money we have borrowed compared to our target.
Gearing Effect on Capital Financing Estimates	Shows how a 1% increase in interest rates would affect the total interest cost to the council.
Net Borrowing Costs / Tax Requirement	Borrowing not financed by a grant from government, as a proportion of our Net Revenue Expenditure
Capital Financing Requirement (£m)	How much money we currently borrow to finance our capital programme.
Authorised limit for external Debt (£m)	The maximum amount of debt we should have at any one time
Investment Rate Average	The average interest rate we are receiving on the money we have invested.

<b>Balance Sheet Ratios</b>	
Current Assets : Current Liabilities	Our ability to meet our liabilities
Useable Reserves : General Revenue Expenditure	If our reserves are adequate to meet potential future variations.
Long Term Borrowing : Tax Revenue Using both council tax and NNDR for tax revenue	The effect of long term borrowing on our budget.
Long Term Borrowing : Long Term Assets	This allows us to understand the relationship between the money we borrow and the assets we have as they both change over time.
Total School Reserves : Dedicated School Grant	If schools reserves are at an appropriate level.

<b>Revenues Performance</b>	
<b>% Collected for Financial Year</b>  Council Tax (%)	As a percentage the amount of council tax we collected during the financial year that runs from 1 April – 31 March. We collect council tax after the year that its related to, but this won't be included in this figure
National Non Domestic Rate (%)	As a percentage the amount of Business rates we collected during the financial year that runs from 1 April – 31 March. We collect council tax after the year that it related to.
Total Council Tax Collected (£m)	This tells us the amount of council tax we collected during the financial year that runs from 1 April – 31 March. We collect council tax after the year that it relates to, but this won't be included in this figure.
Total NNDR Collected (£m)	This tells us the amount of Business Rates we collected during the financial year that runs from 1 April – 31 March. We collect council tax after the year that it relates to, but this won't be included in this figure.
Sundry Debtors Collection Average number of days to collect debt	How long on average it takes us to collect money owed to us.
Average number of days to process creditors payments	How long on average it takes to pay our bills.

<b>Management of Resources</b>	
<b>Service Analysis</b>	
Children's Services Economy and Environment Adult Social Care Change and Governance Council Wide	Shows our forecast for how much we will spend on these services compared to what we planned and compared to how much we spent in the previous year.
General Reserves	Our forecast year end position on reserves against our opening balance.
Contingency	How much we have set aside and for unplanned expenditure, and how much we have left to spend.
Capital Expenditure	Forecast of our spend on capital programmes against our target
Capital Receipts	Forecast of how much money we expect to receive from selling some of our assets, against our target.