

## **Cabinet – 14 April 2010**

### **Corporate Financial Performance 2009/10**

**Portfolio:** Councillor C Towe – Finance and Personnel

**Service:** Finance – council wide

**Wards:** All

**Key decision:** No

**Forward plan:** No

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

1.1 This report is to inform Cabinet of the year-end forecasts for revenue and capital. The report highlights a revenue overspend of £1.794m, an improvement since the position last reported to Cabinet in January of c £0.195m. Reasons for movements between the March report and this report are highlighted in **Annex A**. The capital programme is currently forecast to be underspent by c £6.934m due to rephasing and slippage of projects into 2010/11.

#### **2. Recommendations**

2.1 That Cabinet:

- Note a net revenue overspend of c £1.794m (0.24% of the current gross budget) which includes the effects of identified corrective action plans and the effects of non essential expenditure restraint.
- Approve write off of debt as detailed in table 6 as required by the Constitution.
- Note that opening reserves for 2010/11 will be in line with those set out in the medium term financial strategy (MTFS).
- Note slippage/underspends on the capital programme of £6.934m, the majority of which is expected to be required to be carried forward into 2010/11, subject to Cabinet approval at year-end.

#### **3. Background information**

3.1 Cabinet receives regular financial reports to allow it to monitor the financial performance of the council and consider plans for corrective action. Maintaining financial stability is a key requirement. This is the final report prior to the final outturn for the year being report in June 2010.

#### 4. Resource and legal considerations

4.1 Managers are required to deliver their service targets and improvements within budget. The RAG status of this report is red.

#### 4.2 General Reserves

The budget for 2010/11 approved by Council on 22 February 2010 included replenishment to ensure that the opening reserves were in line with the medium term financial strategy and were set at £6.7m. The current 2009/10 forecast overspend will provide opening reserves in line with those approved in that budget.

#### 4.3 Progress of efficiencies/fees and charges/policy changes

In February 2009 Council approved c £13.412m of new savings/efficiencies and increases in fees and charges. To date c £2.8m is not expected to be realised, this includes c£1.6m within adult social care, £0.200m bereavement services income and £0.372m looked after children.

#### 4.4 Progress of spend approved for new investment in 2009/10

Council approved investment of £4.344m which includes new investment and the full year effect of previously approved investment. To date this is projected to be fully utilised against the purpose for which it was given.

#### 4.5 Revenue Budget 2009/10

Managers currently reporting overspends are continuing to identify and take action to reduce spending. The main areas of overspend variance have been widely reported and **Annex A** details the main movements between the January Cabinet position and that now being reported.

#### 4.6 Forecast Analysis 2009/10: by type

**Table 1** illustrates the financial pressure by category of spend.

<b>Table 1: Forecast analysis 2009/10: Spend Type</b>				
	<b>February</b>	<b>Favourable /Adverse Compared to Budget</b>	<b>January (reported to cabinet 17.03.10)</b>	<b>Variance Jan to Feb</b>
	<b>£'m</b>		<b>£'m</b>	<b>£'m</b>
Shortfall in Income	2.931	Adverse	2.477	0.454
Demographics/demand	2.996	Adverse	3.022	(0.026)
Contractual increases	(0.480)	Favourable	0.109	(0.589)
Salaries/Employees	(1.436)	Favourable	(1.167)	(0.269)
Supplies & Services	(1.776)	Favourable	(1.493)	(0.283)
Premises	(0.021)	Favourable	(0.014)	(0.007)
Transport	0.000	Favourable	(0.009)	0.009
Other	(0.420)	Favourable	(0.936)	0.516
<b>Total</b>	<b>1.794</b>	Adverse	<b>1.989</b>	<b>(0.195)</b>

#### 4.7 Forecast Analysis 2009/10: by Directorate

**Table 2** illustrates the financial pressure by Directorate.

<b>Table 2: Forecast analysis 2009/10: By Directorate</b>					
	<b>Feb</b>	<b>Favourable /Adverse Compared to Budget</b>	<b>Jan</b>	<b>Variance between Jan &amp; Feb</b>	<b>Favourable / Adverse (Jan v Feb)</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Regeneration	0.033	Adverse	0.026	0.007	Adverse
Neighbourhood	(0.736)	Favourable	(0.643)	(0.093)	Favourable
Resources	(0.253)	Favourable	(0.147)	(0.106)	Favourable
Children's	2.811	Adverse	2.786	0.025	Adverse
Social Care	0.159	Adverse	0.187	(0.028)	Favourable
Centrally held budgets	(0.220)	Favourable	(0.220)	0.000	No change
<b>Total</b>	<b>1.794</b>	<b>Adverse</b>	<b>1.989</b>	<b>(0.195)</b>	<b>Favourable</b>

#### 4.8 Capital Programme 2009/10

The approved capital programme as reported to March Cabinet totalled £92.536m. Further amendments have taken place since then which are detailed below, resulting in a revised programme of £92.594m.

<b>Table 3 : Amendments to Capital Programme 2009 /10</b>	
	<b>£m</b>
<b>Programme as at 17 March 2010</b>	<b>92.536</b>
Greenspaces planning delivery grant – new grant	0.050
ICT mobile technology grant – repaid grant	-0.002
Willenhall memorial park – s106 contribution	0.006
Forest Arts Centre squash courts – revenue contribution	0.004
<b>Revised Capital Programme</b>	<b>92.594</b>

The mainstream capital programme currently shows predicted slippage of £6.747m and underspends of £0.187m totalling £6.934m. Services will request to carry forward slippage which will only be allowed if approved by Cabinet. Details of all recommended requests will be included in the 2009/10 outturn report in June 2010. The £0.187m underspend will result in less borrowing / use of capital receipts in year.

<b>Table 4 : Slippage 2009/10</b>	
<b>Project</b>	<b>£m</b>
Eldon House re-provision (currently reviewing re-provision)	1.023
Aids & adaptations	0.735
Rationalisation of leased accommodation	0.800
Disability discrimination act for greenspaces	0.009
Environmental regeneration	0.048
Local Transport Plan	0.936
Regenerating Walsall	0.299
Palfrey park	0.075
Walsall Arboretum restoration programme	0.468
Relocation of Pleck boxing club	0.190
Strategic corridors and gateways	0.118

<b>Table 4 : Slippage 2009/10 continued</b>	
Redhouse community centre	0.230
Town, district and local centres	0.097
Risk management	0.100
Pelsall library	0.320
Rewire of Walsall gala baths	0.205
Contact centre	0.054
Civic centre air conditioning	0.370
Self insured property damage	0.051
Depot relocation	0.051
Rewire of Willenhall leisure centre	0.001
Allotments	0.004
Modern computer technology in schools	0.313
Improving security in local neighbourhoods	0.014
Disabled facilities at pedestrian crossings	0.005
Integrated Children's System	0.053
Town Centre Transport Package	0.178
<b>Total</b>	<b>6.747</b>

<b>Table 5 : Underspends 2009/10</b>	
<b>Project</b>	<b>£m</b>
Implementation of 2 cashier machines	0.067
Uninsured property damage	0.100
Memorial safety	0.020
<b>Total</b>	<b>0.187</b>

In 2009/10 we expected to generate £0.137m in capital receipts and a planned carry forward of receipts of £1m from 2008/09 to part fund the 2009/10 capital programme. To date we have received £1.204m.

#### 4.9 Write off of debt

Cabinet are required to approve the write off of any individual debt above £0.010m and are therefore requested to authorise the write off the irrecoverable debts totalling c£0.245m detailed in **table 6**. All action possible has been taken to recover these debts, however this has not been possible, therefore it is timely to write them off.

<b>Table 6: Write off of debt</b>			
<b>Invoice Number</b>	<b>Date</b>	<b>Amount</b>	<b>Comment</b>
119228	16/12/08	150,619.45	Company in liquidation. No funds for creditors
278220	02/10/02	11,455.18	Statute barred housing benefit overpayment
025965	27/04/01	13,048.46	Statute barred housing benefit overpayment
129094	12/12/01	17,060.00	Statute barred housing benefit overpayment
469916	05/10/00	10,854.59	Statute barred housing benefit overpayment
062216	16/07/01	22,379.99	Statute barred housing benefit overpayment
275139	24/09/02	19,683.88	Statute barred housing benefit overpayment
<b>Total</b>		<b>245,101.55</b>	

The first invoice relates to a debtor raised in respect of European grant paid to an organisation who had received funding but are now in liquidation. Neighbourhood services forecast outturn assumes replenishment of the bad debt provision. The debtors relating to the housing benefit overpayments cannot be traced and are now statute barred.

Any discussion of individual cases is likely to require that the press and public be excluded from the meeting. For that reason the name of the debtors have been omitted.

The write-offs will be charged against the council's bad debt provision and any impact is included within this report. A write off only occurs if all possible mechanisms for collection have been exhausted and the debt is either impossible to collect or it is uneconomical to do so.

## **5. Citizen impact**

- 5.1 Demonstration of financial stability and sound financial management promotes public confidence and credibility.

## **6. Community safety**

- 6.1 None directly associated with this report.

## **7. Environmental impact**

- 7.1 None directly associated with this report.

## **8. Performance and risk management issues**

- 8.1 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 red but this has been addressed as part of the 2010/11 budget setting process to ensure reserves are adequate resulting in a green performance rating.
- 8.2 Risk management is embedded in budget preparation, 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. There are risks attached to this that could impact adversely on the current position and which are being actively and robustly managed.

## **9. Equality implications**

- 9.1 None directly associated with this report.

## 10. Consultation

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

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

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**Rory Borealis – Executive Director  
(Resources)**  
26 March 2010



**Cllr Chris Towe  
Finance & Personnel**  
26 March 2010



**James Walsh - Chief Finance Officer**  
26 March 2010

## **Variances since March report**

### **Regeneration £0.007m**

- Reduction in income within planning, building regulations and markets £0.038m
- Additional income secured from DCLG for the Head of Supported Housing post £0.031m

### **Neighbourhood Services (£0.093m)**

- Leisure & culture £0.012m - reduced sponsorship monies partly offset by additional freeze on expenditure relating to furniture & equipment and stationery.
- Street pride (£0.256m) - reduced estimate of year end tonnage, lower than anticipated salary costs resulting from reduced overtime and allowances for waste collection and grounds & street cleansing and lower fuel usage.
- Public protection (£0.039m) - additional income from bereavement services, sports coaching and increase in fees & charges relating to pollution control.
- Neighbourhood partnership and programmes £0.190m – provision to cover write off of bad debt and additional external audit costs relating to the audit of european funding.

### **Resources (£0.106m)**

- Print and design £0.013m – reduction in projected income from external Lichfield contract as a result of a later start date than previously anticipated.
- Mayoral (£0.018m) – restraint on supplies and services.
- Business support £0.048m – reductions in agency staff not being achieved due to service requirements.
- Human resource and development (£0.080m) – further vacancy management and restraint on training and supplies and services.
- Benefits (£0.055m) – additional subsidy incentive income and further efficiency on overpayment recovery.
- Various small under and overspends within other areas of resources (£0.014m)

### **Social Care & Inclusion (£0.028m)**

- Reduction in mental health independent sector residential and nursing costs.

### **Children's Services £0.025m**

- Additional costs around looked after children and related contact and support.