

Cabinet – 24 October 2012

Corporate Financial Performance 2012/13

Portfolio: Councillor C Towe – Finance and Personnel (Lead Portfolio)
Links to all other Portfolios

Service: Finance – council wide

Wards: All

Key decision: No

Forward plan: No

1. Summary of report

1.1 The report details the financial position for the second quarter of the year (to 30 September 2012). The report forecasts a revenue underspend of £0.65m, and a capital programme underspend of £0.59m.

2. Recommendations

2.1 Cabinet are requested to:

- Note a net projected revenue underspend of £0.65m, c0.6% of the net council tax requirement.
- Note the forecast underspend on the mainstream capital programme, after re-phasing, of £0.59m.
- Note the transfer of windfall income which should be maintained centrally to manage any unexpected pressures which may arise over and above normal budgetary provision.
- Note and approve the amendments to the capital programme, including two variations as referred to in 4.7.
- Note the financial health indicators for quarter 2, as summarised in **Appendix 1**.

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. It is not unusual for there to be projected variances during the course of the year. The council has a strong track record of managing financial pressures and maintaining financial stability is a key requirement.

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 green.

4.2 General Reserves

General reserves are expected to be in line with the medium term financial strategy.

4.3 Progress of efficiencies/fees and charges/policy changes/new investment 2012/13

Council approved a total of £12.84m of planned savings with £11.80m being new savings and £1.04m being full year effects of previous years' savings. To date c£0.49m is expected to be delivered through alternative actions due to delays in implementation. In addition, investment of c£4.34m was approved which is projected to be fully utilised against the purpose for which it was given.

4.4 Revenue Budget 2012/13

The current revenue forecast for 2012/13 is an underspend of £0.65m or c0.6% of the net council tax requirement.

Table 1 summarises the 2012/13 budget, and forecast outturn based on the review of the benefits realisation model, and known service pressures.

Table 1: Forecast revenue analysis 2012/13 by directorate			
Directorate	Budget £m	Predicted year end forecast £m	Variance – Over / (Under) £m
Children's Services	43.17	43.60	0.43
Neighbourhood Services	45.32	46.05	0.73
Regeneration	8.77	8.50	(0.27)
Resources	27.49	26.69	(0.80)
Social Care & Inclusion	62.05	62.25	0.20
Capital Financing	23.28	23.28	0
Central budgets	28.33	27.39	(0.94)
Net Budget Position	238.41	237.76	(0.65)
Formula Grant	(129.16)	(129.16)	0
Net Council Tax Requirement *	109.25	108.60	(0.65)

* The 2012/13 budget was required to be shown as a council tax requirement, rather than net budget i.e. as the amount of budget required to be financed by council tax. This change was implemented by Central Government.

4.5 A number of services have identified overachievement of income against budget or receipt of unexpected income totalling £1.34m. This income will be transferred to earmarked reserves in line with the approved windfall income protocol.

4.6 Capital Programme 2012/13

The revised capital programme reported to Cabinet on 25 July 2012 totalled c£91.55m. Amendments have taken place since that date and these are detailed in **Table 2** overleaf, resulting in a revised programme of c£94.00m.

Table 2 : Amendments to Capital Programme 2012/13	
	£m
Capital programme as reported to Cabinet 25 July 2012	91.55
Council funded resources	
New Homes Bonus – revenue contribution as agreed by Cabinet	0.45
Vehicles (Vans) – funded via project reserve	0.04
Darlaston Bath roof – purchase rather than lease – funded from leasing underspend	0.03
New Council Depot – land exchange funded via capital receipts approved March 2011	1.62
A34 Birmingham Road – funded via project reserve	0.01
Sweepers – funded from prudential borrowing	0.28
Externally / Grant funded schemes	
The Arboretum Gallery Garden – confirmation of grant	0.03
Bloxwich lane/Bentley lane traffic signal upgrade – S106	0.02
Health Through Warmth – confirmation of contribution	0.02
Walsall Arboretum restoration programme – illumination park proposal was part of the “Restoration Programme” already included in the capital programme	-0.10
Highway Improvement Works Willenhall – S106	0.02
Congestion Target Fund – confirmation of grant	0.03
Revised capital programme	94.00

4.7 Cabinet are asked to approve two variations to the capital programme in relation to:

- a) The mercury abatement project. The original funding allocation provided for £90k to be funded from Environment levy fees applied to cremation costs as approved by Cabinet on 30 November 2005. This can now be managed within the current capital resources and would result in the levy fees being transferred to general reserves.
- b) Supported Housing - Homeless projects. The council owns and manages 4 supported housing projects (comprising 106 units) that contribute to reducing levels of homelessness in the Borough. Dolphin House and the top block of Green Lane (comprising 28 units) are no longer fit for purpose in their current form; bathrooms, kitchens and boilers need replacing. The modernisation of these units of accommodation is a crucial step in delivering better services for our customers and the roll out of the new operating model for the homeless service which is part of the wider “help me with my money, home, job” strand of Working Smarter. With homelessness rising because of the current economic conditions and the programme of welfare reform, the demand for temporary accommodation remains high. Modernised, fit for purpose accommodation are a vital resource in tackling homelessness and eliminating the use of bed and breakfast. Such accommodation plays a substantial role in reducing the hidden and often unforeseen costs of homelessness e.g. ill health, worklessness, benefit dependency and the social ills of disadvantage and exclusion by helping homeless households to adopt more purposeful, productive and meaningful lives, moving them into work and a settled home. It was intended that the cost of the above be funded from un-ring fenced Homeless Prevention Grant, however it can be funded from within existing capital financial resources allowing a release of the £426k grant for alternative use / general reserves.

Table 3 summarises the 2012/13 capital programme and an early forecast outturn after the rephrasing of projects into 2013/14:-

Table 3: Forecast capital analysis 2012/13 by directorate					
Directorate	Budget £m	Predicted year end forecast £m	Variance before Carry forward £m	Carry Forward	Variance after Carry forward £m
Council funded	29.42	26.54	(2.88)	2.28	(0.60)
Externally Funded	64.58	42.28	(22.30)	22.27	(0.03)
Total	94.00	68.82	(25.18)	24.55	(0.63)

The council funded part of the capital programme currently shows predicted re-phasing of c£2.28m from 2012/13 to 2013/14 as shown in **table 4**.

Table 4 : Re-phasing 2012/13 to 2013/14	
Project	£m
Allotment Improvement Programme – funding to be linked to a project to be delivered in 2013/14	0.02
George Rose Park development – work to be completed links with Darlaston Academy, which has three year timescale for spend	0.05
Regenerating Walsall – project delays	0.30
Enabling works of office development (Gigaport) project delays	0.60
Children’s services: Contact Services – project delays	0.93
Walsall arboretum lido – retention payment	0.01
Walsall Council House improvements – project delays due to timing of approval of works	0.20
Replacement of essential network data circuits – goods now due to be received in 2013/14	0.04
Freer Street structural works – decision awaited made on works	0.06
Greenspace Improvement plan – project delays	0.07
Total	2.28

For projects funded from external resources, carry forwards have been received totaling £22.30m. Rephasing of large capital schemes is normal due to expected completion dates in line with grant conditions. These relates mainly to Academies - Sheffield Academy due for completion April 2013 and Grace Academy April 2014 and schemes such as basic need and capital maintenance where there is no time limit on spending the grant. Walsall Arboretum restoration project has also been carried forward due to delays in the scheme due to unforeseen conditions on site, the HLF funding will be spent over the course of the project.

Table 5 details the contributions from revenue to fund capital expenditure which require Cabinet approval in accordance with financial rules within the constitution. Once approved, these will be included in the amended 2012/13 capital programme.

Table 5: Revenue contributions to capital	
Details	£
WACC – telephone and IT upgrade and replacement programme	47,182
Eldon House - additional project costs over capital allocation	17,900
Bentley Sure Start Children’s Centre	60,000
Purchase of equipment for print and design (Speedmaster press)	9,650
Total	134,732

4.7 Risk Assessment

Services risk assess their financial position on a regular basis. Directorate management teams are required to manage services within budget. Risks which have a high level of certainty of occurring in the region of c£0.50m have been identified however these are being actively managed to minimise any impact on the financial forecast for the year.

4.8 Financial Health Indicators

The quarterly review of financial health indicators is shown at **Appendix 1**. This summarises the following:-

- Strong treasury management performance for 2011/12, and forecast for 2012/13.
- Strong balance sheet financial performance for 2011/12 compared to 2010/11 and 2009/10.
- Above target council tax and business rate collection rates.
- Strong sundry debtors collection rates, showing average of 27 days in 2011/12 to collect debt.
- Strong creditor performance showing average of 13 days in 2011/12 to pay creditor invoices.
- Revenue and capital position for 2011/12 (pre audit) and forecast for 2012/13.
- Capital receipts received in 2011/12, and forecast for 2012/13.

5. **Citizen impact**

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

6. **Community safety**

None directly associated with this report.

7. **Environmental impact**

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 green.
- 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

None directly associated with this report.

10. Consultation

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 - ☎ 01922 652349 buckleyv@walsall.gov.uk
Stuart Wootton - ☎ 01922 652348 woottons@walsall.gov.uk
Jennie Collier - ☎ 01922 652350 collierj@walsall.gov.uk


Signed:



James Walsh
Assistant Director – Finance (CFO)

15 October 2012

Signed:



Councillor Towe
Portfolio holder – Finance & Personnel

15 October 2012

Financial Health Indicators

Treasury Management	2011/12 Actual	2012/13 Target	2012/13 Forecast
Average Interest Rate (Borrowing)			
- Excluding Other LA	4.53%	4.52%	4.52%
- Including Other LA	4.69%	4.63%	4.66%
Gearing Effect on Capital Financing Estimates	3%	5%	2%
Net Borrowing Costs / Net Budget Requirement	4%	4%	3%
Capital Financing Requirement £m	293.247	304.499	299.452
Authorised limit for external Debt (£m)	373.73	319.724	319.724
Investment Rate Average	1.8%	1.3%	2.1%

Balance Sheet Ratios	2009/10	2010/11	2011/12 (post-audit)
Current Assets : Current Liabilities	1.22	2.28	2.70
Useable Reserves : General Revenue Expenditure			
Assuming Revenue Expenditure is equal to Net Operating Expenditure (2008/09)	0.28	0.29	0.49
IFRS introduction in 2009/10 changes general revenue expenditure to = net cost of service + other operating expenditure + finance and investment expenditure (2009/10 and 2010/11)			
Long Term Borrowing : Tax Revenue			
Using only council tax for tax revenue	2.58	2.63	2.45
Using both council tax and NNDR for tax revenue	1.26	1.25	1.25
Long Term Assets : Long Term Borrowing	2.85	1.83	1.89
Total School Reserves : Dedicated School Grant	0.06	0.06	0.07

Revenues Performance	Actual 2011/12	2012/13	
% Collected for Financial Year		Profiled Qtr	Actual
Council Tax %	97.1%	54.5%	54.6%
National Non Domestic Rate %	97.3%	59.0%	59.6%
Total Council Tax Collected (£m)	£89,200,617	£50,600,00	£50,702,592
Total NNDR Collected (£m)	£65,789,403	£41,720,000	£42,136,585
Sundry Debtors Collection Average number of days to collect debt	27 days	30 days	27 days
Average number of days to process creditors payments	13.35 days	14 days	10.06 days

Management of Resources	Actual 2011/12	2012/13 (budget for monitoring)		
Service Analysis		Post-audit	Target	Forecast
Children's Services	75,624,678	43,172,282	43,599,072	426,790
Neighbourhood Services	64,696,154	45,317,132	46,052,787	735,655
Regeneration	15,461,631	8,774,131	8,504,770	(269,361)
Social Care & Inclusion	72,895,813	62,051,799	62,253,189	201,390
Resources	3,022,328	27,491,046	26,686,788	(804,258)
Council Wide	13,807,829	51,604,208	50,661,323	(942,885)
Formula Grant	N/A	(129,164,992)	(129,164,992)	0
Total	245,508,433	109,245,606	108,592,937	(652,669)
General Reserves	12,617,667	N/A	N/A	N/A
Council funded Capital Expenditure	18,698,647	22,609,004	19,735,249	2,873,755
Grant Funded Capital Expenditure	41,352,358	64,581,751	42,277,385	22,304,366
Prudential Expenditure	967,934	6,816,442	6,805,638	10,804
Total Capital Expenditure	61,018,939	94,007,197	68,818,272	25,188,925
Capital Receipts	2,092,660	2,500,000	2,500,000	0