

Cabinet – 5 February 2014

Corporate Financial Performance 2013/14

Portfolio: Councillor C Towe – Resources (Lead Portfolio)

Related Portfolios: All

Service: Finance – council wide

Wards: All

Key decision: No

Forward plan: No

1. Summary of report

- 1.1 The report details the year-end forecast for revenue and capital, which is based on the financial position for the third quarter of the year (to 31 December). This shows a recovery of £1.01m since last reported to Cabinet in October due to the implementation of planned actions to reduce the overspend.. The report sets out:
- A forecast revenue overspend of £1.93m, equivalent to 2.3% of the net council tax requirement, a reduction of £1.01m since last reported to Cabinet in October 2013.
 - A capital programme underspend of £580k.

2. Recommendations

- 2.1 Cabinet are requested to:
- Note the improved current revenue forecast position as at 31 March 2014 of £1.93m (equivalent to 2.3% of the net council tax requirement).
 - Note that action is being taken to manage the cost pressures arising (see section 3.5) and that progress will continue to be reported to Cabinet.
 - Note the current transfer of windfall income which is maintained centrally to manage any unexpected pressures which may arise over and above normal budgetary provision.
 - Note the forecast underspend on the council funded element of the capital programme, after re-phasing, of £580k, to be utilised to support the funding of the 2014/15 capital programme.
 - Note and approve the amendments to the capital programme as set out in section 3.9.
 - Note the financial health indicators for quarter 3 summarised in Appendix 1.

3. Report Detail

3.1 Cabinet receive regular financial reports to allow it to monitor the financial performance of the council and consider plans for corrective action. Nationally councils are experiencing severe funding challenges and it is not unusual for there to be projected variances during the course of any financial year. The council has a strong track record of managing financial pressures and action is being taken to mitigate the current cost and pressures. Maintaining financial stability is a key organisational requirement.

3.2 General Reserves

Should the council outturn with an overspend of c£2m as currently shown in Table 1 this will have an impact on the level of, which may require replenishment in 2014/15. A detailed risk assessment is being undertaken as part of the 2014/15 budget which will set out the recommended level of general reserves and will be reported to members in February 2014 as part of the budget report.

3.3 Progress of efficiencies/fees and charges/policy changes/new investment 2013/14

Council approved a total of £15.9m of planned savings. To date, c£1.96m has been identified as not being fully achieved, of which £1.45m relates to the corporate contract saving (see note 3.5). Action plans are being worked on to mitigate the shortfall and the impact of these are included in the outturn position in Table 1.

3.4 Budget 2013/14

The council, similar to many others, is facing significant financial pressures and an increase in demand for certain services. As a result, this is now translating into some significant cost pressures, particularly within Children's services and Social Care. Table 1 summarises the 2013/14 budget and forecast outturn.

Table 1: Forecast outturn 2013/14				
Directorate	Budget £m	Predicted year end £m	Variance as at Dec £m	RAG
Children's Services	52.46	54.68	2.22	R
Neighbourhood Services	45.29	45.51	0.22	A
Regeneration	6.81	6.85	0.04	A
Resources (inc money, home, job)	26.70	26.31	(0.39)	G
Social Care & Inclusion	66.65	67.39	0.74	R
Capital Financing	23.13	22.84	(0.29)	G
Corporate contracts	(1.50)	(0.05)	1.45	R
Central budgets	29.04	26.98	(2.06)	G
Net Budget Position	248.58	250.51	1.93	
Central Government Funding	(163.03)	(163.03)	0.00	
Net Council Tax Requirement	85.55	87.48	1.93	R

* The budget is required to be shown as a council tax requirement i.e. as the amount of budget required to be financed by council tax. This change was implemented by Central Government.

3.5 Pressures and Corrective Action

Children's Services – the two principal causes for overspend on Children's Services are the use of agency staff to cover vacant posts, partly offset by underspends on vacant posts across the service (c£1.2m net); and increased cost of placements of Looked After Children (LAC) (c£1.0m). This includes supplementary costs of LAC such as disability packages, contact, support and adoption allowances.

Agency staff pressures are being targeted by recruitment processes currently being run. Several vacancies are in the process of being recruited to. Further work will continue to reduce agency numbers over time, in the meantime a temporary budget increase of £512,622 has been included within the 2014/15 budget process to strengthen the children's social care workforce through the addition of 12 social worker posts.

Placements costs are driven principally by a budget based on LAC numbers of 541 against current numbers of 610. There is ongoing work to reduce the number of LAC where appropriate and reduce the cost of placements through more effective and efficient purchasing arrangements.

Social Care and inclusion (SCI) – Adult social care has forecast a £4.9m overspend in 2013/14 prior to the use of reserves and the implementation of a corrective action plan. This has arisen through a combination of previous and current year savings not being fully delivered and in year budget pressures which include:

- Housing 21 contract c£646k (net of reserves)
- Provider services c£576k
- Non-achievement of the saving to re-provide Suttons Drive clients c£894k
- Although there are fewer clients than budgeted for across the service areas, the cost of average care has increased in domiciliary care.
- Budget savings targets across all services have not been realised due to higher cost packages and client costs overall are higher than budgeted
 - Mental Health c£1.06m
 - Learning and Physical Disabilities c£1.25m

The total underlying pressure after the implementation of the action plan of £900k is therefore is c£4m which unless managed, would be ongoing into 2014/15. This is currently being part mitigated by the use of one-off reserves in 2013/14 of £3.32m which leaves a £739k variance against budget.

A range of actions have been agreed in the short / medium term to ensure adult social care delivers within their approved budget for 2014/15 onwards. Actions include the continuation of the 2013/14 action plan, some changes on how services will be delivered from 2014/15 and the appointment of an efficiency partner. Elsewhere on the agenda for Cabinet is the budget report for 2014/15 which requests that Cabinet note and endorse these actions.

Neighbourhood Services – the directorate is overspent largely due to shortfalls in car parking income for which £250k of investment has been allocated in 2014/15.

Regeneration – property services savings for 2013/14 relating to reducing the number of buildings (£573k) will not be fully realised with an expected shortfall of £249k. The savings are expected to be achieved in 2014/15 onwards.

Resources – within “Money Home Job” key pressures have previously been identified due to the use of temporary staff to manage work pressures arising from welfare reform changes and adapting to new ways of working, however following the implementation of an action plan to reduce spend on temporary contracts and to hold posts vacant, the forecast pressure for the year has been reduced from a forecast overspend of £224k to £44k.

Corporate Contracts - the programme to deliver council wide procurement savings of £1.5m was transferred to the leadership of the Chief Finance Officer. He has now assessed the contract review programme, with the aim of developing a work programme to identify the level of savings that could realistically be realised during 2013/14. This has now been completed and his view is that there is insufficient forward procurement activity to generate this level of saving in 2013/14. To date £46k has been achieved with a further £90k full year effect expected in 2014/15. Planned reductions going forward in negotiating various key contracts would provide an estimated £434k in 2014/15, and a further £166k in 2015/16. This would overall provide ongoing contracts savings of £690k over the 3 year period.

3.6 A number of services have identified overachievement of income against budget or receipt of unbudgeted income totalling c£5.5m. This income is currently assumed to be transferred to earmarked reserves, in line with the approved protocol.

3.7 Local Authority Mortgage Scheme (LAMS)

Up to the end of December 2013, 22 Mortgages have been supported through the LAMs scheme using £456,350 of the indemnity cover and a further 7 mortgages applications are being processed which when completed will use up a further £140,075. Following the lobbying to continue with the scheme, Lloyds have confirmed that they will continue with the scheme both now and when they offer products supported by Help to Buy in the future.

3.8 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 estimated in January 2013 and included within the council’s budget for 2013/14 would result in a deficit on the collection fund. The council would bear 49% of the overall deficit which would need to be included in the budget process for 2014/15 to make good the shortfall of income. The current position on the collection fund is forecast to be a deficit of c £0.50m of which Walsall will have to fund £0.25m.

3.9 Capital Programme 2013/14

The capital programme reported to Cabinet on 23 October 2013 totalled £82.68m. Amendments have taken place since that date and these are detailed in Table 2 overleaf, resulting in a revised programme of £87.07m.

Table 2: Capital Programme 2013/14	
	£m
Capital programme 2013/14 per Cabinet 23 October 2013	82.68
Council Funded Resources	
N3 Link (data sharing between council and health partners) – revenue contribution to capital	0.02
Willenhall E-ACT Academy swimming pool changing provision funded via revenue contribution to capital (project reserve)	0.04
Car park at new Invention funded via capital contingency – underspend on scheme	(0.08)
Wi-fi network – funded via revenue contribution to capital (project reserve)	0.02
Purchase of vehicles – more cost effective to buy not lease	0.27
Purchase of refuse vehicles – more cost effective to buy not lease	1.49
Ride on Mower – funded via revenue contribution to capital	0.01
Barcroft Primary additional classroom – school contributions	0.27
Walsall adult & community college facilities funded via revenue contribution to capital	0.03
Specifically Funded / Grant Schemes	
Two year old capital funding – new grant funding	0.50
Black Country property investment programme - new grant funding	1.58
Black Country Enterprise Zone – Darlaston site investigation Programme - new grant funding	0.20
Wayfinding project - confirmation of s106 funding	0.01
Bentley West Playing Fields Improvement – confirmation of s106 funding	0.03
Revised capital programme 2013/14	87.07

3.10 Table 3 summarises the 2013/14 capital programme and an early forecast outturn after the re-phasing of projects into 2014/15.

Table 3: Forecast capital analysis 2013/14					
Directorate	Budget £m	Predicted year end forecast £m	Variance before Carry forward £m	Carry Forward £m	Variance Over / (Under) £m
Council funded	24.74	16.34	(8.40)	7.82	(0.58)
Externally Funded	62.33	37.19	(25.14)	25.14	(0.00)
Total	87.07	53.53	(33.54)	32.96	(0.58)

3.11 The council funded element of the capital programme currently shows predicted re-phasing of c£7.82m from 2013/14 to 2014/15 as shown in table 4. Re-phasing occurs for a number of reasons such as late confirmation of grant 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.

Table 4: Re-phasing 2013/14 to 2014/15	
Project	£m
Walsall arboretum restoration programme	0.54
Finance Direct – IT /Oracle upgrade	0.13
Aids and adaptations	0.05
Delivering – right fast and simple	0.15
Bring your own device security layers	0.04
Regenerating Walsall	0.62
Civic Centre essential maintenance	0.57
Health through warmth and related retro fit schemes	0.30
Improving the customer experience when visiting the council house	0.89
Integrated children’s IT system	0.07
Darlaston Strategic Development Area	1.71
Council wide IT planned rolling replacement and upgrade.	0.33
PARIS development phase 2	0.34
Preventative adaptations	0.56
Enabling works to office development (Gigaport)	0.48
Allotment and community garden strategy	0.06
Willenhall Memorial Park	0.02
Smarter Workplaces	0.96
Total	7.82

3.12 Additionally, the council funded element of the capital programme currently shows predicted underspends of c£0.58m as shown in Table 5.

Table 5: Underspends/savings 2012/13	
Project	£m
Walsall Arboretum restoration programme – illumination Park proposal	(0.11)
Freer Street structural works	(0.04)
Targeted capital bids - Barcroft	(0.13)
Restoration and renovation of Broadway West playing fields	(0.07)
Health through warmth	(0.21)
Delivering – Right Fast and Simple – exchange upgrade	(0.02)
Total	(0.58)

3.13 Financial Health Indicators

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

- Strong treasury management performance for 2013/14.
- Strong balance sheet financial performance.
- Estimated target for council tax and business rate collection rates is as budgeted.
- Strong sundry debtors collection rates, showing average of 26 days in 2012/13 to collect debt and 27 days in Quarter 3 of 2013/14.

- Strong creditor performance showing an average of 11.92 days in 2012/13 to pay creditor invoices and 12 days as at Quarter 3 of 2013/14.
- Revenue and capital position for 2012/13 and forecast for 2013/14 – as outlined in this report.
- Capital receipts received in 2012/13, and forecast for 2013/14.

4. Council Priorities

- 4.1 The budget is set following council priorities, including the agreement to use Marmot objectives to help redirect existing resources.

5. Risk Management

- 5.1 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.

- 5.2 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. There are risks attached to this that could impact adversely on the current position and which are being actively and robustly managed. Risks which have been identified as having a high level of certainty of occurring total c£700k, however these are being actively managed to minimise any impact on the financial forecast for the year.

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 a balanced budget.

8. Property implications

- 8.1 None directly associated with this report.

9. Staffing Implications

- 9.1 None directly associated with this report.

10. Equality implications

- 10.1 None directly associated with this report.

11. Consultation

- 11.1 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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28 January 2014

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28 January 2014

Financial Health Indicators

Treasury Management	2012/13 Actual	2013/14 Target	2013/14 Actual
Average Interest Rate (Borrowing)	4.53%	4.52%	4.60%
- Excluding OLA	4.67%	4.63%	4.74%
- Including OLA			
Gearing Effect on Capital Financing Estimates	2.00%	5.00%	1.22%
Net Borrowing Costs / Net Budget Requirement	3.01%	6.50%	5.99%
Capital Financing Requirement (£m)	299.452	319.279	314.141
Authorised limit for external Debt (£m)	319.724	351.207	351.207
Investment Rate Average	2.1%	1.0%	1.2%

Balance Sheet Ratios	2010/11	2011/12	2012/13 (post - audit)
Current Assets : Current Liabilities	2.28	2.70	2.70
Useable Reserves : General Revenue Expenditure	0.29	0.49	0.59
Assuming Revenue Expenditure is equal to Net Operating Expenditure (2008/09)			
Long Term Borrowing : Tax Revenue (Using both council tax and NNDR for tax revenue)	1.25	1.25	1.13
Long Term Assets : Long Term Borrowing	1.83	1.89	1.84
Total School Reserves : Dedicated School Grant	0.06	0.07	0.08

Revenues Performance % collected for financial year	2011/12 Actual Collected in total @ 31.03.13	2012/13 Actual Collected in total @ 31.12.13	2013/14	
			Profiled Qtr	Actual Qtr
Council tax %	98.4%	97.9%	80.5%	80.2%
National Non Domestic Rate %	97.9%	97.6%	86.0%	85.9%
Total Council Tax collected (£m)	£90,323,443	£90,501,866	£77,910,927	£77,626,796
Total NNDR collected (£m)	£65,201,884	£66,900,426	£61,300,055	£60,783,875

Debtors and Creditors Performance	2012/13 Actual	2013/14	
		Profiled Qtr	Actual Qtr
Sundry Debtors Collection – Average number of days to collect debt	26 days	30 days	27 days
Average number of days to process creditor payments	11.92 days	14 days	12 days

Management of Resources	Actual 2012/13	2013/14 (budget for monitoring)		
		Target	Actual	Variance
Service Analysis	Post-audit			
Children's Services	52,613,725	52,456,059	54,681,576	2,225,517
Neighbourhood Services	60,547,614	45,290,521	45,515,016	224,495
Regeneration	17,280,082	6,812,751	6,857,094	44,343
Social Care & Inclusion	67,500,397	66,652,775	67,391,590	738,815
Resources	7,798,112	25,198,552	26,257,167	1,058,615
Council Wide	31,177,268	52,168,828	49,808,765	(2,360,063)
RSG/NNDR	(129,164,992)	(163,027,571)	(163,027,571)	0
Total	107,752,206	85,551,915	87,483,637	1,931,722
General Reserves	16,611,535	Minimum £6.3m Maximum £12.5m	Q3 11,606,000	N/A
Council Funded Capital Expenditure	15,568,567	18,469,053	13,614,110	(4,854,943)
Grant Funded Capital Expenditure	31,719,243	62,329,796	37,190,003	(25,139,793)
Prudential Expenditure	4,874,928	6,271,183	2,730,205	(3,540,978)

Total Capital Expenditure	52,162,738	87,070,032	53,534,318	(33,535,714)
Capital Receipts	3,239,165	1,500,000	1,607,750	107,750

What this tells us

Treasury Management	
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.
Unsupported Borrowing : Net Revenue	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.

Balance Sheet Ratios	
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 only council tax for 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.
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Revenues Performance	
% Collected for Financial Year	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
Council Tax (%)	
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.

Management of Resources	
Service Analysis	
Children and Young People Neighbourhood Services Regeneration Social Care Resources 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.