

Cabinet – 25 July 2012

Corporate Financial Performance 2012/13

Portfolio: Councillor C Towe – Finance and Personnel (Lead Portfolio)
Councillor A Andrew – Regeneration
Councillor R Andrew – Children’s services
Councillor B McCracken – Social Care and Health
Councillor M Arif – Business support services
Councillor Z Ali – Public protection
Councillor A Harris – Leisure and Culture
Councillor T Ansell – Transport and Environment
Councillor I Shires – Community Engagement and Voluntary

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 first quarter of the year (to 30 June 2012). The report sets out a projected revenue underspend of £1.20m. The capital programme is currently forecast to be underspent by £0.49m.

2. Recommendations

2.1 Cabinet are requested to:

- Note a net projected revenue underspend of £1.20m, c1.1% of the net council tax requirement. As we are only in quarter 1, it is difficult to predict with certainty that this underspend will actually occur at year end.
- Note the forecast underspend on the mainstream capital programme after re-phasing of £0.49m.
- Note and approve the amendments to the capital programme.
- Note the financial health indicators for quarter 1, as summarised in **Appendix 1** of the report.

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£0.48m is expected to be delivered through alternative actions due to delays in implementation. In addition, investment of c£4.34m was approved which includes new investment and the full year effect of previously approved investment. This 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 £1.20m or c1.1% of the net council tax requirement.

Table 1 summarises the 2012/13 budget, and an early 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 £m
Children's Services	42.62	42.60	(0.02)
Neighbourhood Services	43.99	44.20	0.21
Regeneration	8.62	8.35	(0.27)
Resources	27.35	27.01	(0.34)
Social Care & Inclusion	61.98	62.03	0.05
Capital Financing	23.28	22.93	(0.35)
Central budgets	30.58	30.10	(0.48)
Net Budget Position	238.42	237.22	(1.20)
Formula Grant	(129.17)	(129.17)	0.00
Net Council Tax Requirement *	109.25	108.04	(1.20)

** 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. For monitoring purposes, the net budget is of interest, as Formula Grant is fixed, however the council tax requirement is also shown above to balance back to the budget report. 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 £286k. This income will be transferred to earmarked reserves in line with the windfall income protocol.

4.6 Capital Programme 2012/13

The capital programme approved by Council on 23 February 2012 totalled £38.72m. Carry forwards from 2011/12 to 2012/13 have now also been approved totalling £44.97m resulting in an opening capital programme for 2012/13 of £83.69m. There have been further amendments to the capital programme which is detailed in **Table 2** giving a revised capital programme of £91.55m. The Smarter Workplaces programme was approved by Cabinet in April 2011 and funding is via capital receipts to be received once properties are vacated.

Table 2 : Amendments to Capital Programme 2012/13	
	£m
Capital programme 2012/13 including carry forwards	83.69
Mainstream resources	
Smarter Workplaces - ICT	0.26
Smarter Workplaces - programme management investment	0.22
Walsall Council House - budget utilised in 2011/12	-0.18
New Homes Bonus – revenue contribution as agreed by Cabinet	1.61
Prudential	
Smarter Workplaces - programme management investment	0.48
Smarter Workplaces - work place solutions	0.77
Smarter Workplaces – property	2.60
Darlaston Strategic Development Area approved by Cabinet	0.84
Specifically Funded / Grant Schemes	
Devolved Capital - confirmation of grant	-0.02
Local Transport Plan - confirmation of grant	1.50
IT & Telephone System Upgrade and Improvement – revenue contribution	0.05
Darlaston Strategic Development Area - confirmation of contribution	2.50
Mercury Abatement – revenue contribution	0.09
Red Routes - confirmation of funding	-3.00
Disabled Facilities grant - confirmation of grant	0.14
Aids and Adaptations - confirmation of contribution	0.01
Revised capital programme	91.55

Table 3 summarises the 2012/13 capital programme, and an early forecast outturn:-

Table 3: Forecast capital analysis 2012/13 by directorate			
Directorate	Budget £m	Predicted year end forecast £m	Variance £m
Mainstream	19.11	18.62	(0.49)
Prudential	6.28	6.28	0.00
Externally Funded	66.16	66.16	0.00
Total	91.55	91.06	(0.49)

4.7 Risk Assessment

Service 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:-

- Treasury management performance for 2011/12, and forecast for 2012/13.
- Balance sheet financial performance for 2011/12 compared to 2010/11 and 2009/10.
- Council tax and business rate collection rates.
- Sundry debtors collection showing average of 27 days in 2011/12 to collect debt.
- Creditors 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**

- 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 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

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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James Walsh
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16 July 2012

Councillor Towe
Portfolio holder – Finance & Personnel

16 July 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%	4.47%
- Including Other LA	4.69%	4.63%	4.73%
Gearing Effect on Capital Financing Estimates	3%	5%	5%
Net Borrowing Costs / Net Budget Requirement	4%	4%	4%
Capital Financing Requirement £m	293.247	304.499	298.753
Authorised limit for external Debt (£m)	373.73	319.72	319.72
Investment Rate Average	1.8%	1.3%	1.6%

4.52%

4.63%

Balance Sheet Ratios	2009/10	2010/11	2011/12 (pre-audited)
Current Assets : Current Liabilities	1.22	2.28	2.74
Useable Reserves : General Revenue Expenditure			
Assuming Revenue Expenditure is equal to Net Operating Expenditure (2008/09)	0.28	0.29	0.50
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	1.88
Total School Reserves : Dedicated School Grant	0.06	0.06	0.07

Revenues	Actual	2012/13
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Performance	2011/12		
% Collected for Financial Year		Profiled Qtr	Actual
Council Tax %	97.1%	28.0%	28.0%
National Non Domestic Rate %	97.3%	32.0%	32.4%
Total Council Tax Collected (£m)	£89,200,617	£26,000,000	£25,979,984
Total NNDR Collected (£m)	£65,789,403	£22,800,000	£23,051,168
Sundry Debtors Collection Average number of days to collect debt	27 days	30 days	26 days
Average number of days to process creditors payments	13.35 days	14 days	11.16 days

Management of Resources	Actual 2011/12	2012/13		
		<small>(budget for monitoring)</small>		
Service Analysis	Pre-audit	Target	Forecast	Variance
Children's Services	75,624,678	42,624,407	42,602,122	(22,285)
Neighbourhood Services	64,696,154	43,994,444	44,205,139	210,695
Regeneration	15,461,631	8,620,988	8,355,893	(265,095)
Social Care & Inclusion	72,895,813	61,976,855	62,025,800	48,945
Resources	3,022,328	27,349,870	27,010,966	(338,904)
Council Wide	13,807,829	53,844,034	53,005,333	(838,701)
Formula Grant	N/A	(129,164,992)	(129,164,992)	0
Total	245,508,433	109,245,606	108,040,261	(1,205,345)
General Reserves	12,617,667	N/A	N/A	N/A
Mainstream Capital Expenditure	18,698,647	19,107,535	17,992,809	(1,114,726)
Grant Funded Capital Expenditure	41,352,358	66,157,376	45,322,668	(20,834,708)
Prudential Expenditure	967,934	6,282,811	6,282,811	0
Capital Receipts	2,092,660	2,371,812	2,371,812	0