

Cabinet – 21 March 2007

Corporate financial performance 2006/07

Portfolio:	Councillor John O'Hare – Resources
Service:	Corporate finance
Wards:	All
Key decision:	No
Forward plan:	No

Summary of report

The RAG status of this report is amber as the forecast revenue outturn is an overall modest overspend of c £0.7m (0.12%) of the current gross budget. But several actions are underway, which if successful are expected to improve this position. This is an improvement on the previously reported position to January Cabinet of c £0.6m. A year end capital surplus of c £6.9m @ 31.3.07 is forecast, which is expected to be largely carried forward into 2007/08 to fund slippage on approved capital projects.

Recommendations

1. That the following currently predicted year end forecasts be noted:
 - a net revenue overspend of up to £0.7m (0.12% of the current gross budget).
 - a surplus of c £6.9m on the capital programme which is largely expected to be carried forward into 2007/8.
2. To note that action is being taken to seek to improve the current forecast outturn;
3. To note that a number of carry forward requests may be approved under the council's approved protocol within the Medium Term Financial Strategy, resulting in a revised overspend of c £1.2m, which is within the predictions previously outlined and which has been taken into account in the replenishment of reserves in setting the 2007/08 budget.

Resource and legal considerations

Managers are required to deliver their service targets and improvements within budget. Small variations are normal and insignificant on a gross revenue budget (excluding internal charges) of £611.23m. **Table 1** shows the impact of the predicted year-end position on general reserves. Work is underway to reduce the forecast overspend. Action plans have been received from most overspending services and their impact is included within the report.

General Reserves

If currently predicted overspends arise, prior to approval of carry forwards, year end general reserves would be c £4.9m. Where positive action has already been identified by services it is reflected in this report. The potential risks to the forecast outturn are identified later in this report.

TABLE 1: PREDICTED YEAR END POSITION 2006/7	
REASON	2006/7 £M
General reserves as at 31.03.06 (post-audit)	-5.260
Plus: planned contribution to reserves	-0.355
Sub total	-5.615
Predicted revenue overspend (appendix 1)	0.705
Estimated general reserves @ 31.03.07	4.910

Earmarked Reserves and Central Contingency

Central contingency for 2006/7 is £0.37m. **Appendix 2** shows how this and the earmarked reserves are planned to be spent. The full impact of the recovery of carry forward overspends from 2005/6 to 2006/7 is also included within the predicted outturn.

Citizen impact

The 2006/07 policy-led budget is aligned with activity in service plans. Investment is targeted at service improvement, stability and user demand. Demonstration of financial stability and sound financial management promotes public confidence and credibility

Community safety

None directly associated with this report.

Environmental impact

None directly associated with this report.

Performance and risk management issues

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 amber, requiring corrective action. Action is being taken by all overspending services.

Risk management is embedded in budget preparation, monitoring and forecasting to enable potential budget variances and risks to be identified early and addressed. The figures in this report represent the most likely outcomes based on currently available information.

A number of assumptions have been made in the forecast figures by managers, including that corrective action plans continue to deliver reductions as planned. There are risks attached to this, which are highlighted in **Appendix 3** that could impact adversely on the current position, and which require continued active management.

Equality implications

None directly associated with this report.

Consultation

The report is prepared in consultation with relevant managers and executive directors.

Vision 2008

Robust financial management enables the council to maintain financial stability and ensure best value allocation of resources. Budgets are also linked to vision headings to deliver key priorities as part of the budget setting process via decision conferencing.

Background papers

Various financial working papers.

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Carole Evans - Executive Director
12 March 2007



Cllr John O'Hare - Deputy Leader
12 March 2007

REVENUE BUDGET

Managers currently reporting overspends are taking action to bring spending back into line with the budget. The main areas of variance and the reasons for them are:

Regeneration + £0.1m

- Planning and building control (+£0.09m) and land charges (+£0.24m) will be overspent due to predicted lower income from fewer planning applications and search requests. However, Regeneration is committed to reducing this overspend by £0.2m.
- Markets income reduction (+£0.1m) resulting from the decline in the market sector and current works. This is offset by underspends within urban regeneration.
- WBSP (-£0.2m) due to additional NRF and LAA grant income.

Neighbourhood Services -£0.14m

- Street pride – waste management (-£0.1m) mainly due to a reduction in volume of waste disposed, fleet (-£0.18m) reduction in costs of leased vehicles.
- Asset management (+£0.1m) additional costs occurred from security patrols and boarding up of 2 redundant building awaiting demolition offset by small underspends.
- Engineering and transportation (-£0.3m) - due to additional section 74 and car park income and vacancy management.
- Leisure and culture (+£0.16m) - under recovery of income on Illuminations, closure costs of study support team and additional costs of new electoral legislation partly offset by general operational costs within the first stop shop.
- Sport and operational services (+£0.2m) - introduction of new Government legislation on healthy eating has increased food costs and affected take up of meals in primary schools. This is partly offset by underspend on sports development projects and vacancy management.
- Public protection (-£0.1m) - due to vacancy management, additional income from registrars and a reduction in sampling fees and removal of travellers costs.

Corporate Services - £1.28m

- Finance (-£0.12m) - mainly due to savings on salaries and external audit core fees partly offset by a shortfall in income within financial information systems.
- Revenue and benefits (-£0.24m) – increase in housing benefit payment recovery and vacancy management partly offset by additional agency staff costs.
- Human resources and development (HR) (-£0.2m) – due to a planned transformation project continuing into 2007/08 and requested to be carried forward to fund the costs. (OD) (-£0.2m) – additional job advertising and grant income and slippage of the training plan.
- Business support (-£0.2m) – savings in vacancy management and increased efficiencies over 2006/07 targets.
- Performance management (-£0.2m) - due to vacancy management, reduction in audit fees, supplies and services.
- Council wide services (-£0.2m) – various underspends.

Children and Young People + £0.47m

- Children's services (+£0.3m) – due to increased costs of maintaining family contact for looked after children, challenging staffing efficiency targets, increased costs of family assistants and additional direct payments partly offset by a reduction in contract levels and payments. .
- Print and design (+£0.49m) - although work has been undertaken to reduce costs and increase income, these are not predicted to be sufficient to balance the budget in 2006/07. The above figure includes a charge of £0.09m to correct a stock accounting error from 2004/05 and the carried forward overspend of £0.08m from 2005/06. A review of the Print & Design function continues.
- Youth Service (-£0.16m) due to delays in recruitment in vacant posts.

Social Care and Inclusion + £1.56m

- An overspend of c£2m is currently predicted but an action plan is in place which is expected to reduce this to c £1.5m by the end of the year. Whilst the corrective action plan has been delivered and has mitigated the overspend, the position has worsened by £0.67m since last SLT report due to reduced recovery of debt charges and additional income shortfalls. This also includes extra costs of learning disability reprovion packages that are currently under investigation.

Carry forward of underspends from 2006/07 to 2007/08

A number of carry forward requests have been received so far. In reviewing the level of available balances, including the replenishment included in the 2007/08 approved budget, carry forward of slipped projects and planned underspends via sound financial management in the region of £0.5m is expected to be approved, resulting in a net overspend position at year end of c£1.2m. This can be accommodated from balances, with the opening working balance of £4.6m achieved in full. This is subject to the current outturn position of £0.7m overspend not worsening. Cabinet will be asked to endorse the level of carry forwards when the final outturn is available in June 2007.

CAPITAL PROGRAMME 2006/07

Mainstream funded

The mainstream capital programme currently shows unallocated resources of c£6.92m (**Table 2**). This assumes that capital schemes will continue as currently predicted by project managers.

TABLE 2 : MAINSTREAM PROGRAMME	
PROGRAMME	£m
Capital Programme approved by Cabinet 6 March 2006	22.226
Approved slippage	8.421
Adjustment to budget for schemes now funded by mainstream not grant	5.520
Total revised programme	36.167
EXPENDITURE	
Actual expenditure as at 31 January 2007	17.828
Balance remaining at year (from cashflow forecasts)	11.420
Total forecasted capital expenditure for year	29.248
Surplus/(shortfall) in forecasted mainstream programme	6.919

Prudential Programme

In line with the treasury management strategy, in 2005/06 £4.1m additional unsupported borrowing was used as a more effective source of funding than capital receipts. This allowed capital receipts of c £15.25m to be carried forward in line with the approved capital programme. Once again in 2006/07 whether to use unsupported borrowing or capital receipts will be considered in light of prevailing markets and the corporate financial position.

TABLE 3 : PRUDENTIAL PROGRAMME	
RESOURCES	£m
Unsupported borrowing	8.866
Resources brought forward from 2005/6	3.162
Total estimated resources	12.028
EXPENDITURE	
Actual expenditure as at 31 January 2007	7.442
Balance remaining for year (from cashflow forecasts)	2.311
Total forecasted capital expenditure for year	9.753
Surplus/(shortfall) in forecasted prudential resources	2.275

Capital Receipts

Table 4 details the anticipated level of receipts and use of receipts in 2006/07. It is planned to carry forward c£9.1m of capital receipts to support the 2007/08 capital programme.

TABLE 4 : CAPITAL RECEIPTS 2006/07		
Funding	Actual £m	Target £m
Capital receipts brought forward from 2005/06	15.247	9.103
Receipts received to date 2006/07	1.872	0.000
Additional receipts expected to be received	5.271	8.300
Total capital receipts as at 31.12.06	22.390	17.403
Use of capital receipts 2006/07	13.305	12.364
Capital receipts carry forward to 2007/08	9.085	5.039

Non-mainstream funded

The non-mainstream capital programme currently shows an unfinanced debtor of c£2.9m to be carried forward to 2007/8 (**Table 5**). In general, grant income is received after the expenditure takes place so a time lag of funding is expected and accounted for. Continual monitoring is undertaken to ensure that grant is being claimed and received on a regular basis. It is important to note that no scheme will be allowed to start unless an approval from the funding provider has been received to ensure that there will be no call on mainstream resources.

TABLE 5 : NON-MAINSTREAM FUNDED	
	£m
RESOURCES	
Grant received as at 31 January 2007	28.371
Forecasted grant to be received by 31 March 2007	3.339
Total forecasted resources	31.710
EXPENDITURE	
Actual expenditure as at 31 January 2007	20.547
Balance remaining for year (from cash flow forecasts)	9.394
Total forecasted capital expenditure for year	29.941
Unfinanced debtors brought forward from 2005/06	4.682
Unfinanced debtors to be carried forward to 2007/08	-2.913
Total capital commitment	31.710
Surplus/(shortfall) in forecasted non- mainstream resources	0.000

Leasing

Leasing minimises the call on capital resources by spreading the cost over a number of years, financing the cost from revenue. Services bid for c £8.38m of capital expenditure to be financed by leasing in 2006/7. £1.18m of the leasing provision has been used to date and it is planned that a further £0.82m will be used in the current financial year.

TABLE 6 : LEASING PROGRAMME	£m
Resources available	8.375
Leasing provision used as at 31 January 2007	1.184
Leasing provision forecasted to be used by 31 March 2007	0.818
Surplus/(shortfall) in leasing programme	6.373

NB: this does not result in surplus capital resources

The prudential system allows borrowing to fund the purchase of leased items. This expenditure would be treated as capital rather than revenue expenditure and mean the council would buy the assets outright. The decision to lease or buy depends on several variables such as the cost of borrowing and the residual value of the asset at the end of its leased life. Prior to each drawdown, our leasing advisors produce a report and recommendations as to which financing approach is most appropriate. A vigorous evaluation is then carried out before a decision to lease or buy is made, ensuring vfm.

Capital Contingency

A capital central contingency is held of £.025m. To date £0.09m has been utilised.

SERVICE	ANNUAL BUDGET 2006/7			YEAR END FORECAST 2006/7 BEFORE USE OF RESERVES						Use of Reserves £	YEAR END FORECAST 2006/7		Directorate RAG Status
	EXPENDITURE £M	INCOME £M	NET £M	EXPENDITURE £M	INCOME £M	NET £M	OVER / (UNDER)		OVER / (UNDER)				
							£M	%	£		%		
Regeneration													
Regeneration	3.667	-1.653	2.013	3.582	-1.598	1.983	-0.030	-1.49	0.000	-0.030	-1.49	A	
Planning Services	2.759	-3.141	-0.383	2.739	-2.795	-0.057	0.326	-85.13	0.000	0.326	-85.13		
Walsall Borough Strategic Partnership	0.906	-0.709	0.197	0.706	-0.709	-0.003	-0.200	-101.45	0.000	-0.200	-101.45		
Total Regeneration	7.331	-5.503	1.828	7.026	-5.103	1.923	0.096	5.24	0.000	0.096	5.24		
Neighbourhood Services													
Street Pride	34.440	-17.727	16.713	34.527	-18.203	16.324	-0.388	-2.32	0.141	-0.248	-1.48	G	
Asset Management	13.810	-10.262	3.548	17.527	-13.888	3.639	0.091	2.57	0.012	0.103	2.89		
Engineering & Transportation	12.863	-4.904	7.959	12.815	-5.102	7.713	-0.246	-3.09	-0.075	-0.321	-4.03		
Public Protection (inc. licensing, emergency planning, registrars and coroners)	4.766	-2.784	1.983	4.844	-2.945	1.899	-0.083	-4.20	-0.013	-0.096	-4.85		
Leisure & Culture (inc elections)	19.341	-6.044	13.297	19.629	-5.937	13.693	0.395	2.97	-0.237	0.158	1.19		
Sports & Operational Services (inc. cleaning, caretaking, SCPW, catering)	16.720	-14.210	2.510	17.472	-13.978	3.494	0.984	39.20	-0.761	0.224	8.90		
Neighbourhood / Programme Management	1.953	-0.548	1.404	2.045	-0.548	1.497	0.093	6.62	-0.093	0.000	0.00		
Community safety / CCTV	1.422	-0.290	1.132	1.458	-0.290	1.168	0.036	3.18	0.000	0.036	3.18		
Total Neighbourhood Services	105.315	-56.769	48.546	110.319	-60.891	49.428	0.882	1.82	-1.027	-0.143	-0.30		
Corporate													
Finance (inc internal audit, insurance)	5.378	-0.755	4.622	5.216	-0.597	4.619	-0.003	-0.07	-0.115	-0.118	-2.56	G	
CWSS, NDCS & C&DC	3.053	-1.166	1.888	2.574	-0.887	1.687	-0.201	-10.64	0.000	-0.201	-10.64		
Strategic transformation team	0.738	0.000	0.738	0.738	0.000	0.738	0.000	0.00	0.000	0.000	0.00		
EMT	1.078	-0.002	1.076	1.104	-0.002	1.102	0.025	2.35	-0.010	0.016	1.46		
Human Resources	2.891	-0.278	2.613	2.658	-0.256	2.402	-0.210	-8.04	0.010	-0.200	-7.66		
Organisational Development	3.031	-0.903	2.129	3.011	-1.083	1.929	-0.200	-9.40	0.000	-0.200	-9.40		
Business support	8.366	0.000	8.366	8.175	-0.008	8.166	-0.200	-2.39	0.000	-0.200	-2.39		
Legal and democratic services	3.291	-0.243	3.047	3.385	-0.174	3.211	0.164	5.39	-0.092	0.072	2.37		
Performance management	1.632	-0.001	1.631	1.557	0.000	1.557	-0.073	-4.51	-0.110	-0.183	-11.22		
Policy services	0.203	0.000	0.203	0.177	0.000	0.177	-0.025	-12.57	0.000	-0.025	-12.57		
Revenue & benefits (incl. welfare services)	92.253	-89.297	2.956	93.318	-90.620	2.698	-0.258	-8.72	0.014	-0.244	-8.24		
Total Corporate	121.914	-92.646	29.268	121.913	-93.626	28.287	-0.981	-3.35	-0.302	-1.283	-4.38		
Children and Young People													
Education	209.240	-200.378	8.862	216.103	-207.240	8.862	0.000	0.00	0.000	0.000	0.00	R	
Parent partnership service	0.112	0.000	0.112	0.112	0.000	0.112	0.000	0.00	0.000	0.000	0.00		
Youth Service	3.423	-0.029	3.394	3.771	-0.287	3.484	0.091	2.67	-0.246	-0.156	-4.59		
Childrens Services	30.005	-4.935	25.071	31.087	-5.746	25.341	0.271	1.08	0.030	0.300	1.20		
Communications, print and design, procurement	2.214	-1.671	0.543	2.244	-1.392	0.852	0.309	57.00	0.018	0.327	60.22		
Total Children & Young People	244.995	-207.013	37.982	253.318	-214.665	38.653	0.671	1.77	-0.199	0.472	1.24		
Social Care & Inclusion													
Housing	12.220	-10.602	1.618	11.878	-10.260	1.618	0.000	0.00	0.000	0.000	0.00	R	
Adults social care	87.458	-37.333	50.125	89.444	-37.549	51.895	1.770	3.53	-0.050	1.720	3.43		
Support Services	2.007	0.000	2.007	1.846	-0.002	1.844	-0.163	-8.14	0.000	-0.163	-8.14		
ICT	4.749	-0.154	4.595	6.844	-1.955	4.889	0.294	6.39	-0.293	0.001	0.01		
Total Social Care & Inclusion	106.435	-48.089	58.346	110.012	-49.766	60.246	1.901	3.26	-0.343	1.558	2.67		
Centrally Held Budgets													
Capital Financing	18.489	-3.863	14.626	19.109	-4.476	14.633	0.007	0.05	0.000	0.007	0.05	G	
Other Central Items	0.745	0.000	0.745	0.745	0.000	0.745	0.000	0.00	0.000	0.000	0.00		
Levies													
PTE	12.555	0.000	12.555	12.555	0.000	12.555	0.000	0.00	0.000	0.000	0.00		
Environment Agency	0.082	0.000	0.082	0.082	0.000	0.082	0.000	0.00	0.000	0.000	0.00		
Total Centrally Held Budgets	31.871	-3.863	28.009	32.491	-4.476	28.015	0.007	0.02	0.000	0.007	0.02		
Net Position as at 31.03.07	617.861	-413.883	203.979	635.080	-428.527	206.553	2.575	1.26	-1.871	0.705	0.35		

APPENDIX 2

USE OF EARMARKED RESERVES			
Reserve	Value of Reserve	Currently expected to be used in year	Balance remaining
	£	£	£
LAGBI (2 year programme of works)	1,609,581	219,000	1,390,581
Landfill tax scheme	207,493	207,493	NIL
Community engagement LNPs	211,354	92,985	118,369
Oracle performance improvement	250,000	20,000	230,000
Education contract	250,000	0	250,000
Strategic transformation	621,457	180,500	440,957
Total	3,149,885	719,978	2,429,907

USE OF CENTRAL CONTINGENCY	
	£
Budget approved for 2006/7	372,382
Less allocations:	
Legal services - additional resources to support employment locums	-94,800
Business support – to cover costs of centralising post room	-12,000
Legal services – additional resources to support child care team	-15,392
Street lighting PFI – increase in energy costs due to market rises	-50,000
Copyright licence for communications team	-8,153
Replacement of DVDs stolen from central library	-8,000
Software licence fee for web site software	-6,327
Walsall contribution to consultant costs for developing the local development framework core strategy	-85,000
Costs to commission public sector comparator modelling process	-14,644
Coroner service	-11,000
New electoral legislation	-67,000
Balance remaining as at 31.01.07	-

FINANCIAL RISK ASSESSMENT

DETAIL OF RISK	WORST CASE IMPACT £m
Neighbourhood services: <ul style="list-style-type: none"> • Property services – demolition and boarding up of Redhouse and Beechdale JMI school's assumed to be capital. • Engineering and transportation – DSDA property acquisition • Repayment of SRB grant • Street pride – assigned debt – hire company in liquidation 	0.120 0.220 0.085 0.107
Social care and inclusion <ul style="list-style-type: none"> • Non achievement of remaining directorate action plan 	0.487
Regeneration: <ul style="list-style-type: none"> • Additional shortfall in planning income 	0.075
Children & young people: Children's social services <ul style="list-style-type: none"> • Non achievement of action plan. 	0.057
TOTAL RISK IDENTIFIED	1.151

Whilst it is important and good practice to identify potential risks to the forecast outturn, these represent a worse case scenario and are being actively managed.