

Cabinet – 13 January 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

This report is to inform Cabinet of the year-end forecasts for both revenue and capital. The report highlights a revenue overspend of c £4.017m, the reasons for which are highlighted in the report. The capital programme is currently forecast to be underspent by c £3.473m due to rephasing and slippage of projects into 2010/11.

2. Recommendations

That Cabinet:

- Note a net revenue overspend of c £4.017m (0.56% of the current gross budget) which includes the effects of identified corrective action plans and the effects of non essential expenditure restraint.
- Note and approve amendments to the net revenue budget due to new or increased grant allocations since the budget was approved by Council on 23 February 2009, as set out in paragraph 4.5.
- Note slippage on the capital programme of £3.473m, which is expected to be required to be carried forward into 2010/11, subject to Cabinet approval at year-end.
- Note and approve amendments to the capital programme from additional grant approvals received since the programme was approved by Council on 23 February 2009, as set out in table 3.

3. Background information

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.

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. Continued action is being taken to reduce the impact of these pressures. The reason for the pressures largely arises from the impact of national and local economic conditions.

4.2 General Reserves

Should corrective action not be fully identified for the above pressures, there will be a need for replenishment within the 2010/11 budget and this has been taken into account in the medium term financial planning forecast.

4.3 Progress of efficiencies/fees and charges/policy changes

In February Council approved c £13.412m of new savings/efficiencies and increases in fees and charges. To date £2.358m is not expected to be realised.

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 New or increased revenue grant allocations 2009/10

Since last reporting to Cabinet on 18th November 2009 we have received notification of an increase in area based grant for the following areas:

• Working Neighbourhood Fund	£526,422
• Care Matters	£ 22,289
• Education Health Partnerships	£ 65,055
• Environmental Damage	£ 311
• Community call for action	£ 1,833
• Social Care Check Funds	£ 1,046

4.6 Revenue Budget 2009/10

Managers currently reporting overspends are continuing to identify and take action to bring spending back into line with the budget. The main areas of variance and the reasons for them are as previously reported and are detailed in **Appendix A**.

4.7 Forecast Analysis 2009/10: by type

Table 1 illustrates the financial pressure by category of spend.

Table 1: Forecast analysis 2009/10: Spend Type				
	November £'m	Favourable /Adverse Compared to Budget	September (reported to cabinet 18 Nov 09) £'m	Variance Sept to Nov £'m
Shortfall in Income	2.674	Adverse	2.167	0.507
Demographics/demand	3.337	Adverse	2.848	0.489
Contractual increases	0.109	Adverse	0.079	0.030
Salaries/Employees	(0.386)	Favourable	(0.369)	(0.017)
Supplies & Services	(1.034)	Favourable	(1.125)	0.091
Premises	0.136	Adverse	0.144	0.008
Transport	(0.003)	Favourable	0.000	(0.003)
Other	(0.816)	Favourable	(0.497)	(0.319)
Total	4.017	Adverse	3.247	0.770

4.8 Forecast Analysis 2009/10: by Directorate

Table 2 illustrates the financial pressure by Directorate.

Table 2: Forecast analysis 2009/10: By Directorate					
	Nov £'m	Favourable /Adverse Compared to Budget £'m	Sept £'m	Variance between Sept & Nov £'m	Favourable / Adverse (Sept v Nov) £'m
Regeneration	0.550	Adverse	0.512	0.038	Adverse
Neighbourhood	(0.178)	Favourable	(0.091)	(0.087)	Favourable
Resources	0.551	Adverse	0.204	0.347	Adverse
Children's	2.599	Adverse	2.599	0.000	No change
Social Care	0.495	Adverse	0.023	0.472	Adverse
Centrally held budgets	0.000	Favourable	0.000	0.000	No change
Total	4.017	Adverse	3.247	0.770	Adverse

4.9 Capital Programme 2009/10

The approved capital programme as reported to November Cabinet totalled £93.904m. Further amendments have taken place since the position last reported to Cabinet on 18 November 2009, which are detailed below, resulting in a revised programme of £93.066m.

Table 3 : Amendments to Capital Programme 2009 /10	
	£m
Programme as at reported 18 November 2009	93.904
Barcroft – reduced costs	-1.000
Rewire of Walsall Gala baths	0.300
Leased accommodation	-0.100
Civic air conditioning	0.100

Darlaston project development – included in local transport plan	-0.150
Regional housing pot – health through warmth – additional funding received	0.010
ICT mobile technology – additional funding received	0.002
Revised Capital Programme	93.066

The mainstream capital programme currently shows predicted slippage of £3.473m as follows:

Table 4 : Slippage 2009/10	
Project	£m
Eldon House re-provision (currently reviewing re-provision)	1.028
Essential repairs to Norfolk Place depot	0.051
Bloxwich library communications room	0.040
DDA for greenspaces	0.009
Environmental regeneration	0.132
Local Transport Plan	0.186
Regenerating Walsall	0.199
Palfrey park	0.075

Table 4: Slippage 2009/10 (continued)	
Walsall Arboretum restoration programme	0.468
Relocation of Pleck boxing club	0.110
Strategic corridors and gateways	0.078
Redhouse community centre	0.230
Town, district and local centres	0.036
Risk management	0.050
Pelsall Library	0.320
Improving Security in Local Neighbourhoods	0.003
Contact Centre	0.071
Civic centre air conditioning	0.383
Allotments	0.004
Total	3.473

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 red.
- 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 require continued active management. These amounts to a total of c £7m; however they are actively and robustly being 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.

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**Rory Borealis – Executive Director
(Resources)**
30 December 2009



**Cllr Chris Towe
Finance & Personnel**
30 December 2009



James Walsh - Chief Finance Officer
17 December 2009

Major Variances To Budget

Regeneration

- Property services (+£0.129m) arising from shortfall in fee income, survey income and additional costs on redundant buildings partly offset by restraint on non-essential spend.
- Housing (+£0.146m) due to under recovery of agency fees and redundancy costs.
- New Deal (+£0.203m) succession costs arising from the costs of the succession strategy in preparation for closure of the New Deal programme in March 2011.

Neighbourhood Services

- Streetpride (-£0.427m) – reduction in waste tonnage for waste disposal offset by additional disposal costs for recycling and loss of income from trade waste due to closure of local firms (-£0.395m); lower than expected costs of containers for roll out of brown bin scheme (-£0.077m) partly offset by various small variances.
- Public protection (+£0.143m) – additional coroner charges and under recovery of fee income within bereavement services partly offset by restraint on non essential expenditure.
- Leisure and culture (+£0.084m) – reduction in income within leisure centres (£0.068m); Grange Golf Club (£0.060m) following cabinet decision not to close facility saving will not be achieved; additional staffing costs at leisure centres (£0.066m); partly offset by additional income (-£0.093m) within Catering and various other small variances.

Social Care and Inclusion

The SCI budgetary position is a predicted overspend of £0.495m after corrective action to reduce the overspend from c £3m.

The main reasons for the overspend are:-

- Temporary delay in charging for transport (£0.388m)
- Additional staffing costs at Links to Work (£0.521m) including £0.127m redundancy costs.
- Placement costs for all disability services and mental health clients (£2.3m and £0.800m respectively)

Children's Services

The forecast overspend is primarily due to an increase in the demand for looked after children (LAC) with numbers increasing from the 450 when the 2009/10 budget was set, to a current level of 482 with the cost of an additional child between £0.050m - £0.144m per annum depending on the type of placement. The increase is believed to be associated with revised deprivation indicators (IDACI) and the effect of reassessment of risk since the death of Baby Peter. Courts also have an expectation for care cases to have

high levels of contact with birth families, particularly during care proceedings which have resulted in increased costs in supervision and transport.

Resources

- Finance (-£0.273) – restraint on non-essential spend and efficiencies within external audit work
- Council wide (+£0.161) - a combination of dwindling stock and the global financial situation has resulted in an under recovery of income from the sale of former council houses.
- Business support (+£0.103m) – agency savings not to be realised and lower levels of staff turnover has lead to vacancy management not being achieved in full.
- Print and design (+£0.363m) – shortfall in income which has worsened due to impact of services cutting back on their print and design expenditure due to the freeze on non-essential spend.
- Procurement (+£0.117) – due to non-essential spend services are recruiting less agency staff which will result in the agency tax income not being realised in full.
- Information and communication technology (+£0.280m) – shortfall in project income