

Cabinet – 23 January 2013

Corporate Financial Performance 2012/13

Portfolio: Councillor C Towe – Finance and Personnel (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 financial position as at December 2012. The report forecasts a revenue underspend of £1.37m and a capital programme underspend of £1.45m.

2. Recommendations

2.1 Cabinet are requested to:

- Note a net projected revenue underspend of £1.37m, c1.3% of the net council tax requirement.
- 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 the forecast underspend on the mainstream capital programme, after re-phasing, of £1.45m which is to be used to fund 2013/14 capital programme.
- Note and approve the amendments to the capital programme in section 4.7.
- Note the financial health indicators for quarter 3, as summarised in **Appendix 1**.
- Approve write off of sundry debts as detailed in **Table 2**.

3. Background information

- 3.1 Cabinet receive 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 organisational 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 broadly 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£1m is expected to be delivered through alternative actions due to delays in implementation and £340k not being realised in year. 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 £1.37m or c1.3% of the net council tax requirement.

Table 1 summarises the 2012/13 budget and forecast outturn.

Table 1: Forecast revenue analysis 2012/13 by directorate			
Directorate	Budgeted Spend £m	Predicted year end forecast £m	Variance – Over / (Under) £m
Children's Services	42.83	43.60	0.77
Neighbourhood Services	45.65	45.70	0.05
Regeneration	8.99	8.77	(0.22)
Resources	28.22	27.26	(0.96)
Social Care and Inclusion	62.21	62.61	0.40
Capital Financing	23.28	23.28	0
Central budgets	27.23	25.81	(1.42)
Net Budget Position	238.41	237.03	(1.38)
Formula Grant	129.16	129.16	0
Net Council Tax Requirement *	109.25	107.87	(1.38)

* 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.

4.5 A number of services have identified overachievement of income against budget or receipt of unexpected income totalling £1.61m. This income will be transferred to earmarked reserves in line with the approved windfall income protocol.

4.6 Sundry Debt Write Offs

Cabinet are required to authorise the write off of any debt above £10k. A write off only occurs if all possible mechanisms for collection have been exhausted and the debt is either impossible to collect or it is uneconomical to do so.

Table 2 overleaf details irrecoverable debt totalling £28,805.73 requiring write off. The write-off will be charged against the council's bad debt provision and will not affect the outturn position reported in this report. This write off represents less than 0.05% of total debt collected in a year.

Table 2: Detail of sundry debts recommended for write off			
Invoice No	Date	£	Detail
130481	10.08.1998	10,431.12	Repayment of overpaid housing benefit , some instalments were received however no further payments are forthcoming
123671	10.02.2009	18,374.61	Social care fees – to be cancelled in line with legal advice received

4.7 Capital Programme 2012/13

The revised capital programme reported to Cabinet on 24 October 2012 totalled c£94.00m. Amendments have taken place since that date and these are detailed in **Table 3** below, resulting in a revised programme of c£94.68m.

Table 3: Amendments to Capital Programme 2012/13	
	£m
Capital programme as reported to Cabinet 24 October 2012	94.00
Council funded resources	
Smarter Workplaces	-0.31
Projects funded via project reserve approved by Cabinet 24 October 2012	-0.08
Relocation of Pest Control Store funded by Project reserve	-0.04
Vehicles funded via prudential borrowing	0.10
Externally / Grant funded schemes	
Local Sustainable Transport Fund – new funding	0.25
IT & Telephone System Upgrade and Improvement – revenue contribution	0.02
Black Country University Technical College – new funding	0.05
Walsall Arboretum Restoration – confirmation of funding	-0.14
Pathfinder Short breaks - confirmation of funding	0.14
Myplace Young Peoples Centre at Joseph Leckie – confirmation of funding	-0.01
Walsall Gala Baths Dance Studio – new funding	0.01
Walsall Children's Play fund – confirmation of funding	-0.02
Pelsall Common Play Area – confirmation of funding	-0.01
Rushall Parks footpath works – confirmation of funding	0.01
Purchase of equipment for print and design (Speedmaster press) – revenue contribution	0.01
Red Routes – confirmation of funding	0.03
Refurbishment and upgrade of the college facilities and premises - revenue contribution	0.11
Arboretum Waterplay project – new funding	0.04
Disabled Facilities grant – additional funding	0.28

Kings Hill Park Improvement - additional funding	0.05
Reedwood Park – S106	0.15
Relocation of Pest Control Store	0.04
Revised capital programme	94.68

Pelsall Development

Within the approved capital programme there is a project for Pelsall library, children's centre and health centre. The current funding includes a contribution from an external client for a leasing charge for use of part of the building. Under accounting regulations this is required to be classified as a capital receipt rather than an external contribution and Cabinet are requested to note this re-classification and the need to earmark this receipt to complete the project.

Table 4 summarises the 2012/13 capital programme and an early forecast outturn after the rephrasing of projects into 2013/14:-

Table 4: 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	29.23	21.19	(8.04)	6.59	(1.45)
Externally Funded	65.45	38.23	(27.22)	27.18	(0.04)
Total	94.68	59.42	(35.26)	33.77	(1.49)

The council funded part of the capital programme currently shows predicted re-phasing of c£6.59m from 2012/13 to 2013/14 as shown in **table 5**.

Table 5: Re-phasing 2012/13 to 2013/14	
Project	£m
George Rose Park development – work to be completed links with Darlaston Academy, which has three year timescale for spend	0.04
Integrated children's system – project delay	0.06
Aids and Adaptations – project delay	0.81
Regenerating Walsall – project delay	0.53
Bentley Community Facility – project is in design stage	0.24
Enabling works of office development (Gigaport) - project delay	0.62
Children's services: Contact Services – project plan being finalised	0.93
Walsall Council House improvements – due to timing of approval of works	0.24
Replacement of essential network data circuits – goods due to be received in 2013/14	0.04

Increased productivity to be delivered by home working – project delay	0.01
New Homes Bonus – project delays due to legal requirements	0.51
Investment in ICT Technology to support smarter workplace – project delay	0.73
Smarter Workplaces – Property (Prudential) – retention costs due in 2013/14	0.15
Smarter Workplaces – Programme Manager (Prudential) – project delay	0.12
Smarter Workplaces – Workplace Solutions (Prudential) – project delay	0.25
Table 5: Re-phasing 2012/13 to 2013/14 cont...	
Darlaston SDA – (Prudential) – costs due to come through in 2013/14	0.84
Walsall TCTP ring road acquisition – claims to be settled	0.12
Restoration and renovation of Broadway west playing fields – delay in works due to weather project due to be completed in 2013/14	0.12
Freer Street structural works – decision awaited on works	0.06
Green Rivers – project delay	0.09
Greenspace Improvement plan – project delay	0.08
Total	6.59

For projects funded from external resources, carry forwards have been received totaling £27.18m. Rephasing of large capital schemes is normal due to expected completion dates in line with grant conditions. These relates mainly to Academies - Sheffield Academy is due for completion in April 2013 and Grace Academy in April 2014; and schemes such as Basic Need and Capital Maintenance blocks where there is no time limit on spending the grant. Walsall Arboretum restoration project has also been carried forward due to unforeseen conditions on site.

Risk Assessment

Services risk assesses 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£0.49m 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 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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17 January 2013

Signed:



Councillor Towe
Portfolio holder – Finance & Personnel

17 January 2013

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%	4.53%
- 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%	2.2%

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	
		Profiled Qtr	Actual
% Collected for Financial Year			
Council Tax %	97.1%	81%	81.2%
National Non Domestic Rate %	97.3%	86%	86.9%
Total Council Tax Collected (£m)	£89,200,617	£75,140,000	£75,327,965
Total NNDR Collected (£m)	£65,789,403	£59,925,000	£60,554,787
Sundry Debtors Collection Average number of days to collect debt	27 days	30 days	25 days
Average number of days to process creditors payments	13.35 days	14 days	12.20 days

Management of Resources	Actual 2011/12	2012/13		
		(budget for monitoring)		
Service Analysis	Post-audit	Target	Forecast	Variance
Children's Services	75,624,678	42,825,688	43,601,933	776,245
Neighbourhood Services	64,696,154	45,653,219	45,695,192	41,973
Regeneration	15,461,631	8,994,787	8,776,388	(218,399)
Social Care & Inclusion	72,895,813	62,205,277	62,606,492	401,215
Resources	3,022,328	28,220,538	27,263,192	(957,346)
Council Wide	13,807,829	50,511,089	49,093,385	(1,417,704)
Formula Grant	N/A	(129,164,992)	(129,164,992)	0
Total	245,508,433	109,245,606	107,871,590	(1,374,016)
General Reserves	12,617,667	N/A	N/A	N/A
Council funded Capital Expenditure	18,698,647	22,614,987	15,947,309	6,667,678
Grant Funded Capital Expenditure	41,352,358	65,450,099	38,226,302	27,223,797
Prudential Expenditure	967,934	6,610,121	5,238,676	1,371,445
Total Capital Expenditure	61,018,939	94,675,207	59,412,287	35,262,920
Capital Receipts	2,092,660	2,500,000	3,170,000	0

