



City of Westminster

# Cabinet Report

<b>Decision Maker:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>7<sup>th</sup> July 2014</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>2013/14 Outturn Report</b>
<b>Wards Affected:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Council's financial position</b>
<b>Financial Summary:</b>	<b>This report outlines the Council's financial position for the 2013/14 financial year.</b>
<b>Report of:</b>	<b>Anna D'Alessandro, Acting CFO/Section 151</b> <b><a href="mailto:adalessandro@westminster.go.uk">adalessandro@westminster.go.uk</a></b> <b>0207 641 1184</b>

## 1. Executive Summary

This report identifies the full-year outturn position of the Council for the 2013/14 financial year and covers the following sections:

- Revenue expenditure;
- Closing General Fund Reserves;
- Balance Sheet, including Capital expenditure and Debt; and
- Finance Strategic Projects.

## 2. Recommendations

That Cabinet notes the outturn position for the 2013/14 financial year.

## 3. Reasons for Decision

The report sets the outturn position for the 2013/14 financial year.

## 4. Background

### 2013/14 Financial Overview

- **Revenue Expenditure.** The Council commenced the year with some significant financial challenges as a result of continuing funding reductions from Central Government and broader policy and legislative changes, for example in Housing. However, the financial position continued to improve steadily throughout the year culminating in a **c£5M overall surplus for the Council.**
- **Closing General Fund Reserves.** We have strengthened General Fund Reserves by c£3M to close at c£35M (taking account of a £2M budgeted use of Reserves), which will provide resilience and help to mitigate the heightened tension around the ongoing economic climate. In reaching this position risks have largely been mitigated, and Reserves created to fund significant future procurements and transformational/investment activity, through the recycling of Reserves and Provisions.
- **Capital Expenditure.** The **Capital Programme** is significantly below budget by £6.4M against the latest (February 2014 Forecast). Slippage for the year into 2014/15 is £7.8M largely due to Libraries & Culture, Built Environment, Property and Children's Services. A more intense and critical focus on capital monitoring and reporting will be a priority for Finance in 2014/15.

## 5. Financial Implications

There are no direct financial implications arising from this report.

## 6. Legal Implications

There are no direct legal implications arising from this report.

## 7. Consultation

There was no consultation in relation to this report.

**If you have any queries about this Report or wish to inspect any of the Background Papers please contact:**

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# **2013/14 OUTTURN REPORT TO CABINET/SEB**

## **KEY MESSAGES**

### **2013/14 FINANCIAL OVERVIEW:**

The Council commenced the year with some significant financial challenges as a result of continuing funding reductions from Central Government and broader policy and legislative changes, for example in Housing. However, the financial position continued to improve steadily throughout the year culminating in a **£5M overall surplus for the Council**.

We have strengthened **General Fund Reserves** by £3M to close at £35M (taking account of a £2M budgeted use of Reserves), which will provide resilience and help to mitigate the heightened tension around the ongoing economic climate. In reaching this position risks have largely been mitigated, and Reserves created to fund significant future procurements and transformational/investment activity, through the recycling of Reserves and Provisions.

**Surpluses have been delivered** through the prudent management of budgets across the authority which has resulted in a small overall contribution from Service Area operating activities (£0.6M) combined with continuing favourable improvements in Corporate Financing, an additional £1.4M from last period and £4.3M overall for the year.

The **2013/14 Savings Programme** monitored through the Council's Delivery Assurance process, has progressed well during the year and delivered 93% of the £29M savings programme. Where areas have not been able to fully deliver savings as planned, they have mitigated these by alternative proposals that will deliver the overall target. This process will be refocused in 2014/15 with more scrutiny on change control and strengthened governance arrangements.

The **Capital Programme** is significantly below budget by £6.4M against the latest (February 2014 Forecast). Slippage for the year into 2014/15 is £7.8M largely due to Libraries & Culture, Built Environment, Property and Children's Services. A more intense and critical focus on capital monitoring and reporting will be a priority for Finance in 2014/15.

A substantial amount of work has occurred over the year on the **Accounts Receivable Project** led by Corporate Finance. This project has been underway for c18 months and has undertaken significant activity in the re-engineering of back office processes in key areas such as Corporate Property and Parking. The 30 point action plan to deliver best practice accounts receivable/debt management which was identified in the first phase of the project has been fully implemented during the year. The second phase will concentrate on embedding best practice right across the organisation and linking this firmly to Service Area financial targets.

A significant and crucial project for Finance and HR for the coming year is to ensure the successful implementation of the **Managed Services Programme** in Q3 2014/15. We will continue to work closely with our Tri-Borough colleagues, our external Project/Programme support (PWC) and BT as the third party provider.

An important project for the entire organisation is the **Medium-Term Planning process**. We embarked on this in the summer of last year and have been making good progress to address the substantial financial challenges over the coming years. This will continue to be a key priority of Finance by supporting services in driving forward viable business cases for efficiencies and where necessary investment decisions.

Finance is progressing well with the challenge of closing the **2013/14 Annual Accounts** three months (i.e. by June 2014) ahead of 2012/13. An interim audit has just been completed and has highlighted no significant issues. We are well on track to achieving a June close.

## INTRODUCTION

This report provides an overview of the Council's outturn position for 2013/14 and covers:

- **SECTION 1** – Revenue expenditure including the Savings Programme. **Appendix 1** Profit and Loss Statement; **Appendix 2** Housing Revenue Account (HRA) and **Appendix 3** Virements Table;
- **SECTION 2** – 2013/14 General Fund Closing Reserves;
- **SECTION 3** – Consolidated Balance Sheet including Capital Expenditure and Debt, and
- **SECTION 4** – Finance Strategic Projects.

## SECTION 1: REVENUE EXPENDITURE

### 1. 2013/14 Operating Outturn – By Service Area/SEB

As **Table 1** below shows, the **Service Area** outturn for 2013/14 is a £0.6M operating surplus against the net Budget of £223.1M. The Service Area surplus has been driven largely through prudent budget management across the Council with underspends/upside in Adults Social Care (£1.6M), Parking (£2.2M), Finance & Operations (£0.3M), SEB & Strategic Support (£0.2M) and Children's Services (£0.2M). The economic climate has contributed towards a homelessness related overspend in Housing (£3.7M), whilst external factors have adversely affected Libraries & Culture (£0.4M).

Improved net financing costs – resulting from high cash balances across the year and related net interest improvements and the beneficial disposal of Icelandic deposits – has resulted in a significant improvement in **Corporate Financing** for the year of £4.3M. **Therefore, the total operating surplus for the Council for the year is £4.9M.**

**Table 1 – 2013/14 Outturn by Service Area and Corporate Financing**

SERVICE AREAS	Budget £000	Outturn £000	Projected Variance £000	P11 Variance £000	Vs P11 Movement £000	Better / Worse / Unchanged
Adults Social Care	83,376	81,740	1,637	1,563	74	Better
Children's Services	40,911	40,678	233	0	233	Better
Libraries & Culture	7,120	7,522	(402)	(594)	191	Better
Built Environment	16,641	16,512	129	151	(21)	Worse
City Management	51,956	51,912	43	(7)	50	Better
Parking	(52,073)	(54,308)	2,235	2,000	235	Better
Housing	28,495	32,195	(3,700)	(3,700)	0	Unchanged
Property	(1,861)	(1,732)	(130)	(930)	801	Better
Sports & Leisure	962	958	4	0	4	Better
Public Health	(1,217)	(1,227)	10	0	10	Better
SEB & Strategic Support	12,225	11,982	243	246	(3)	Worse
Finance & Operations	36,594	36,297	298	297	1	Better
<b>SERVICE AREA TOTAL</b>	<b>223,129</b>	<b>222,529</b>	<b>600</b>	<b>(974)</b>	<b>1,574</b>	<b>Better</b>
Government Funding	238,802	238,836	34	0	34	Better
Corporate Income	7,850	7,935	85	0	85	Better
Total Funding / Income	246,652	246,771	119	0	119	Better
Less: Corporate Financing	25,307	21,110	4,197	2,962	1,235	Better
<b>Corporate Financing</b>	<b>221,345</b>	<b>225,661</b>	<b>4,316</b>	<b>2,962</b>	<b>1,354</b>	<b>Better</b>
<b>Net Surplus/(Deficit)</b>	<b>(1,784)</b>	<b>3,132</b>	<b>4,916</b>	<b>1,988</b>	<b>2,928</b>	<b>Better</b>

This outturn position for the year is comprised of the following.

- **Adults Social Care** (*Liz Bruce*)

The year-end position for Adults Social Care is an underspend of £1.6M. This is mainly due to a lower (than budgeted) volumes of placements and care and savings resulting from reductions in the volume of high cost placements packages in the Learning Disability and Mental Health services.

- **Children's Services** (*Andrew Christie*)

The outturn for Children's Services is an underspend of £0.2M. This is due to reduced revenue costs relating to the Building Schools for the Future Programme and lower demand led expenditure in Social Care and Early Years services.

- **Libraries & Culture** (*Ben Denton*)

For year-end, the position for Libraries & Culture is an overspend of £0.4M, this is mainly driven by an increased business rates liability following the revaluation of Church Street Library (£0.2M) and backdated charges on Pimlico Library (£0.2M).

- **Built Environment** (*Rosemarie MacQueen*)

The outturn for Built Environment is an underspend of £0.1M, primarily due to higher than anticipated Planning income (£0.8M) which is mostly offset by an income shortfall of £0.7M within Building Control.

- **City Management** (*Leith Penny*)

City Management has a break-even position for the year. The shortfall in Sex licensing income (£0.5M), an increase in the Licensing Provision (£0.5M – to cover the liability relating to Tables & Chairs and Isolated Pitches) and the increased cost of urinal facilities (£0.2M) are offset by higher than anticipated Street Management income (£0.8M), a net underspend within Crime Commissioning (£0.3M) and improved Commercial Waste income (£0.1M).

- **Parking** (*Leith Penny*)

At year-end, Parking has an upside of £2.2M, which is mostly due to a strong performance in paid-for-parking income.

- **Housing** (*Ben Denton*)

The outturn for Housing is an overspend of £3.7M, this is largely due to a combination of significantly higher level of Temporary Accommodation volumes and higher spot rates than Budget.

- **Corporate Property** (*Ben Denton*)

The outturn for Corporate Property has been an overspend of £0.1M. Significant overspends arising from delays in delivering planned savings have largely been mitigated by the recognition of one-off items including the release of surplus provisions and the receipt of compensation for the delayed re-provisioning of a depot following the disposal of Audley Square car park.

- **SEB & Strategic Support** (Charlie Parker)

The outturn for SEB & Strategic Support is an underspend of £0.2M. This is mostly due to net underspends in Legal & Democratic Services (£0.5M), Strategy and Communications (£0.2M) and Communications External Trading (£0.1M). These favourable movements are partly offset by a shortfall in branding income (£0.4M) and translation savings being below target (£0.2M).

- **Finance & Operations** (Charlie Parker)

The year-end position for Finance & Operations is an underspend of £0.2M. This is mainly due to a net underspend – after the recognition of associated grants and income - on the administration costs of Housing Benefits, Council Tax and Business Rates (£0.8M). This is partly offset by a net overspend in Banking Control (£0.3M) and a shortfall in the recovery of duplicate payments (£0.3M).

- **Sports & Leisure** (Leith Penny)

Sport & Leisure has delivered a break-even position for the year.

## 2. **2013/14 Operating Outturn – By Cabinet Member**

The year-end position for the Council is an overall surplus to Budget of £4.9M. The surplus, by Cabinet Member has been driven largely through underspends/upside in Finance, Resources & Customer Services (£4.9M); Adults & Public Health (£1.7M); Community Protection, Premises & Parking (£2.1M) partly offset by an overspend within Business, Skills & Housing (£4.1M).

Table 2 provides detail for all Cabinet portfolios.

**Table 2 – 2013/14 Outturn by Cabinet Member**

Cabinet Members	P12 FULL YEAR ANALYSIS			Vs Previous Period		Better / Worse / Unchanged
	Budget	Outturn	Variance	P11 Variance	Vs P11 Movement	
	£000	£000	£000	£000	£000	
Leader - Cllr Roe	4,184	4,516	(332)	(313)	(19)	Worse
Built Environment - Cllr Davis	4,685	4,474	210	247	(36)	Worse
Finance, Resources & Customer Services - Cllr Caplan	39,383	38,782	601	(59)	660	Better
Children & Young People - Cllr Chalkley	40,861	40,519	343	(14)	357	Better
Business, Skills & Housing - Cllr Astaire	20,302	24,419	(4,117)	(3,978)	(140)	Worse
Community Protection, Premises & Parking - Cllr Aiken	(40,688)	(42,811)	2,123	1,583	540	Better
City Management, Transport & Environment - Cllr Argar	55,481	54,966	515	310	205	Better
Adults & Public Health - Cllr Robathan	87,865	86,210	1,655	1,845	(190)	Worse
Community - Cllr Summers	11,056	11,454	(398)	(594)	195	Better
<b>SERVICE AREA TOTAL</b>	<b>223,129</b>	<b>222,529</b>	<b>600</b>	<b>(974)</b>	<b>1,573</b>	Better
Finance, Resources & Customer Services - Cllr Caplan	(221,345)	(225,661)	4,316	2,962	1,354	Better
<b>Corporate Financing</b>	<b>(221,345)</b>	<b>(225,661)</b>	<b>4,316</b>	<b>2,962</b>	<b>1,354</b>	<b>Better</b>
<b>Net Surplus/(Deficit)</b>	<b>(1,784)</b>	<b>3,132</b>	<b>4,916</b>	<b>1,988</b>	<b>2,927</b>	<b>Better</b>

Details of the major variances are given below.

- **Finance, Resources & Customer Services** (Cllr Caplan)

The outturn for Finance, Resources & Customer Services is an underspend of £4.9M. This is mostly due to a net upside on Interest Earnings & Debt (£2.3M), the release of the Earmarked Reserve held for impaired recoverability of deposits with Icelandic

banks (£1.9M) and net underspends in Legal & Democratic Services (£0.5M) and Human Resources (£0.1M).

- **Community Protection, Premises & Parking** (Cllr Aiken)

The year-end position for Community Protection, Premises & Parking is an underspend of £2.1M, which is mostly due to the strong performance in paid-for-Parking (£2.2M).

- **Adults & Public Health** (Cllr Robathan)

At year-end, Adults & Public Health is underspent by £1.7M. This is mainly due to the underspend within Adult Social Care (lower than budgeted) volumes of placements and care and savings resulting from reductions in the volume of high cost placements packages in the Learning Disability and Mental Health services.

- **Business, Skills & Housing** (Cllr Astaire)

The year-end position for Business, Skills & Housing is an overspend of £4.1M. This is largely due to the overspend within Housing (£3.7M) (higher level of Temporary Accommodation volumes and higher spot rates than Budget) and a net overspend within Street Trading (£0.4M).

### 3 **2013/14 Savings Programme**

The progress of the savings programme, as reported in the February 2013 Budget and Council Tax Report, is monitored through the Council's Delivery Assurance process. This process assesses the robustness of delivery plans for each initiative. **At year-end, 93% of savings are rated as Complete** with the remainder (7%) rated Red. We are re-focussing the Delivery Assurance process with more emphasis on change control and a review of governance arrangements.

**Table 5 – 2013/14 Savings Tracker – Year-end Position**

Service	2013/14 SAVINGS ANALYSIS					
	FY Budget Saving £000	Complete £000	Green £000	Amber £000	Red £000	Projected FY £000
Adults Social Care	2,928	2,928	0	0	0	2,928
Children's Services	4,156	4,156	0	0	0	4,156
Libraries & Culture	260	260	0	0	0	260
Built Environment	406	406	0	0	0	406
City Management	3,626	3,626	0	0	0	3,626
Parking	3,214	3,214	0	0	0	3,214
Housing	3,502	1,502	0	0	2,000	3,502
Property	2,450	2,320	0	0	130	2,450
Sports & Leisure	143	143	0	0	0	143
Public Health	0	0	0	0	0	0
SEB & Strategic Support	698	698	0	0	0	698
Finance & Operations	7,365	7,365	0	0	0	7,365
<b>Total</b>	<b>28,748</b>	<b>26,618</b>	<b>0</b>	<b>0</b>	<b>2,130</b>	<b>28,748</b>
<b>Total %</b>	<b>100%</b>	<b>93%</b>	<b>N/A</b>	<b>N/A</b>	<b>7%</b>	

*Footnote: Each initiative is given a status; Red - No plans currently available or high risk item, Amber - Plan(s) is available but risks involved, Green - Plan(s) being implemented and no risks involved, Complete - Item completed. No further activity required to realise forecasted savings.*

- **Housing (£2M Red)** comprises the largest proportion of savings Red rated. This has been a particularly financially challenging year for Housing with significant policy and legislative changes. However, in accordance with its Temporary Accommodation (TA) Strategy, the Council plans to use a combination of leased properties and purchase units to meet its statutory duty to house homelessness families and individuals. As a consequence of the high costs of B&Bs at the start of the year, the TA portfolio was losing more than £100K per week. The target of the Service Area is to continue with the different strands of the commissioning strategy and to deliver a surplus in 2014, delivered through maintaining the leasing arrangements for properties that make a surplus or a small deficit and reducing the use of those properties that are in deficit.
- **Property (£130k)** – Delays in delivering planned savings have largely been mitigated by the recognition of one-off items as discussed in Section 1 above.

#### **4 WCC 2013/14 Profit and Loss (P&L) Statement**

A Profit and Loss Statement has been prepared to increase visibility of the Council's income and expenditure shown at **Appendix 1**. There is a bottom line improvement to budget of £4.9M. The major movements consist of the following:

**Income £3.5M (adverse)** the major components of which are:

- *Total Pass through Income (£27.3M) (adverse)* – largely driven by Housing Benefit including Discretionary HP Grant (£26M) and Schools income (£2M) partly offset by Council Tax benefit payments (£1M);
- *Customer & Client Receipts (£25M) (favourable)* – largely driven by City Management (£7M), Housing (£6.9M), Parking (£5.2M), Finance & Operations (£3.5M), Built Environment (£3.4M) and Children's Services (£3M);
- *Grants & Contributions (£2.9M) (adverse)* – largely driven by Children's Services (£4.2M) and Public Health (£4M) but partly offset by favourable variances in Housing (£3.3M) and Finance & Operations (£2.8M); and
- *Interest Received (£1.7M) (favourable)*.

**Expenditure (£8.4M) (favourable)** the major components of which are:

- *Total Pass through costs (£30M) (favourable)* - Housing Benefit payments (£28M) and Schools income (£2M);
- *Supplies & Services (£8.2M) (favourable)* – Supplies & Services budgets within Corporate Financing (£10.9M). Spend has incurred on Transfer Payments codes;
- *Transfer Payments (£38.6M) (adverse)* – creation of Earmarked Reserves to fund future change/investment programmes and procurements; and
- *Debt Charges (£8.4M) (favourable)*.



## **5 2013/14 Housing Revenue Account (HRA) Outturn**

The outturn for the HRA is a net surplus of £0.1M, a favourable variance of £23.4M against the net Budget position of £23.5M. This is an improvement of £3M from Period 11. A detailed analysis can be found in the HRA Expenditure Statement in **Appendix 2**. The variances that contribute towards this outturn position are:

- *Favourable variances* - Due to both slippage on the Capital Programme and the application of other funding sources at year-end, the favourable variance in funding the Capital Programme was £25.4M. A reduction in planned maintenance of £3.3M, a need for a bad debt position of £2.8M, underspends on business transformation of £2.4M, reduced Capital financing costs of £1M, increased income of £2.6M, not utilising contingency of £1M and other minor variances totalling £0.4M.
- *Adverse Variances* - An under recovery in invoiced income for Lessee major works of £11.1M and increased asset depreciation of £4.2M.

## **SECTION 2: 2013/14 CLOSING GENERAL FUND RESERVES**

As a consequence of the improved financial position for the year with both the operating activities of Service Areas and Corporate Financing, the Council is able to increase its General Fund Reserves by £3M to a **closing balance of £35M**. This will provide the Council with ongoing financial resilience in an increasingly austere economic climate over the medium-term.

## **SECTION 3: BALANCE SHEET**

### **1. Balance Sheet – Summary**

At Period 12, the Balance Sheet net asset position has moved from £312.6M reported at the end of FY12/13 to £377.5M as at the end of March 2014. The major movements are: increases in receipts in advance £54.1M - primarily within Built Environment and Housing - and increases in Earmarked Reserves £17.1M. The former is due to increase developer receipts reflecting the more active property market whilst the latter reflects the Council's plans to drive forward change and efficiencies via a number of improvement programmes.

The summary position is shown in **Table 5** below.

**Table 5 – Summary Consolidated Balance Sheet**

	Total 31 March 2013	Total 31 March 2014	Movement
	£'000	£'000	£'000
<i><u>CURRENT ASSETS</u></i>			
SHORT TERM DEBTORS	90,881	101,726	10,845
SUNDRY DEBTORS	14,468	16,910	2,442
BAD DEBT PROVISION	(60,356)	(67,788)	(7,432)
PREPAYMENTS	3,488	2,049	(1,439)
INVENTORIES	244	354	110
CASH	2,004	1,691	(313)
	50,729	54,943	4,214
<i><u>CURRENT LIABILITIES</u></i>			
SHORT TERM CREDITORS	(94,998)	(95,666)	(668)
CAPITAL RECEIPTS IN ADVANCE	(103,085)	(146,335)	(43,250)
RECEIPTS IN ADVANCE	(32,475)	(43,374)	(10,899)
	(230,559)	(285,376)	(54,817)
<i><u>LONG TERM ASSETS</u></i>			
LONG TERM DEBTORS	3,100	2,900	(200)
<i><u>LONG TERM LIABILITIES</u></i>			
PROVISIONS	(37,391)	(34,541)	2,850
<i><u>USABLE RESERVES</u></i>			
EARMARKED RESERVES	(58,724)	(75,864)	(17,140)
CAPITAL RECEIPTS UNAPPLIED	(1,956)	0	1,956
CAPITAL GRANTS UNAPPLIED	(7,741)	(553)	7,188
OTHER RESERVES	(30,001)	(38,995)	(8,994)
	(98,423)	(115,413)	(16,991)
<i><u>HOLDING ACCOUNTS</u></i>			
	(2)	6	8
<b>Grand Total</b>	<b>(312,545)</b>	<b>(377,481)</b>	<b>(64,935)</b>

## 2. 2013/14 Capital Expenditure Outturn

### (a) **Service Area Capital Expenditure**

The outturn for the Service Areas for 2013/14 is £19.9M, a £5.3M reduction from the Period 11 forecast (£25.2M) and **£6.4M from the February CRG forecast of £26.3M**. It is a £17.6M favourable movement from the Approved 2013/14 Budget of £37.5M.

**By Service Area, the £6.4M reduction to the latest (February) CRG forecast is comprised of:**

- **Adults Social Care** (*Liz Bruce*)

The outturn is £0.1M, which is a reduction of £0.2M from forecast. The reduction is due to the proposed slippage of SHSOP design consultancy fees in line with the re-phasing of the design stage.

- **Children's Services** (*Andrew Christie*)

The outturn is £0.8M, a reduction of £0.6M from forecast. The reduction is due to delayed drawdown by schools for the BSF ICT programme impacted by the delay in completing the new BSF funded Quintin Kynaston. Proposed slippage is £1.1M which equates to the reduction referred to above plus slippage already flagged in the 2014/15 Council Tax Report.

- **Libraries & Culture** (*Ben Denton*)

The outturn is £1.9M which is broadly in line with the original CRG projection. Proposed slippage is £2.2M which relates to the new Marylebone Library. Work is now underway.

- **Built Environment** (*Rosemarie MacQueen*)

The outturn is £10.2M which is a £1.9M reduction from the CRG projection and the Period 11 forecast. The main reasons for the movement are; the delay to works to take advantage of the reduced rates offered by the new provider (£1.2M) and the reduction of client costs and release of unused risk and contingency funds following the final review of all projects with the previous provider (£0.6M). Gross expenditure for the year has also fallen from £41.2M to £33.2M as projects have been transferred to the new service provider in order to lever better value for money. Proposed slippage for Built Environment is £1.7M, an increase of £1.3M, for the value for money reasons given above, from what was reported in the 2014/15 Council Tax report.

- **City Management** (*Leith Penny*)

The outturn is £1.5M which is in line with the CRG projection and the Period 11 forecast with proposed slippage of £0.1M for CCTV.

- **Parking** (*Leith Penny*)

The outturn is Nil. The proposed slippage is £0.5M which relates to the enforcement contract.

- **Housing** (*Ben Denton*)

The outturn is a net credit of £0.9M. This is due to the successful outcome of the Emmanuel House LVT which ruled that the works costs may be recovered from leaseholders, enabling the Service Area to reverse its provision for non-recovery of £1.7M.

- **Property** (*Ben Denton*)

Outturn is £3.2M, a reduction of £0.8M from Period 11 and £1.5M to the CRG Approved forecast. The main variances relate to:

- Works on properties owned by WCC and which have been affected by the delay in implementing the TFM contract totalling £0.5M;
- Emmanuel House released provision for £0.4M which had been set aside for potential works arising from the LVT ruling;
- City Hall chiller works which has slipped by a further £0.3M and the completion date is now August 2014; and
- City Hall Infrastructure works for £0.2M which have been postponed whilst analysis and discussion on the options around City Hall continues.

Indicative slippage of £0.7M was approved in the 2014/15 Council Tax Report. This has increased to £1.5M following delays on projects highlighted above.

- **Sports & Leisure** (*Leith Penny*)

The outturn is £1.1M as was indicated by the CRG and Period 11 forecasts.

- **Finance & Operations** (*Charlie Parker*)

The outturn is £2.1M. Although unchanged from Period 11 it is a £0.5M reduction from CRG due to delays in shipping hardware for the Windows 7 project. The proposed slippage is £0.6M which includes this hardware as well as costs relating to the Libraries ICT refresh which was incorporated in the 2014/15 Council Tax Report.

- **Self-Financing schemes**

Total expenditure on self-financing schemes was £2.6M consisting of: Grosvenor Waterside second unit £1M and Amberely Road Academy £1.6M.

**Slippage for the year is £7.8M**, an increase of £3.2M on the indicative amount of £4.6M agreed at CRG and presented in the 2014/15 Council Tax report. The major elements are:

- **Libraries & Culture - £2.2M;** Marylebone Library (£2.2M);
- **Built Environment - £1.7M;** Highways and Lighting (£0.7M), Public Realm (£0.7M) and Cathedral Piazza (£0.2M);
- **Property - £1.5M;** Chillers for City Hall (£0.9M); Coroners Court compliance works (£0.1M); TFM and landlord responsibility projects (£0.5M);
- **Children's Services - £1.1M;** BSF ICT (£0.5M) and Crompton Street reception (£0.4M);
- **Finance & Operations - £0.6M;** Windows 7 hardware (£0.5M) and Libraries ICT refresh (£0.1M); and
- **Parking - £0.5M;** Parking enforcement contract (£0.5M)

The other main explanation of the reduction to the capital expenditure outturn is an underspend **against the latest CRG forecast of £3.2M**. The major items are:

- Housing – due to the recovery of monies and therefore release of provisions relating to Emmanuel House of £1.7M;
- Built Environment – the final review of the West One contract yielded savings in risk, contingency and client costs of £0.6M; and
- Property – a further £0.4M relating to the release of a provision for Emmanuel House works and £0.2M for the City Hall Works which are to be undertaken as part of the main project.

The total gross Service Area capital expenditure for the year was £64.2M, £20.7M below the CRG Approved forecast.

**Table 7** below shows both the final 2013/14 outturn CRG and Approved Budget with variances reported against the revised CRG forecast. It includes the proposed slippage for each Service Area.

**Table 7 – Service Area Capital Expenditure**

All	P12 Full Year Analysis			Proposed for 2013/14	2013/14
Service Areas	CRG Forecast Net £000	Outturn Net £000	Variance Net £000	Slippage Net £000	Budget Net £000
<b>All Service Areas</b>					
Adults Social Care	275	77	198	183	10
Children's Services	1,415	781	634	1,088	3,473
Libraries & Culture	1,959	1,893	66	2,179	4,612
Built Environment	12,182	10,238	1,945	1,659	12,020
City Management	1,459	1,529	(70)	90	2,403
Parking	0	(4)	4	500	1,500
Housing	772	(945)	1,717	0	811
Property	4,651	3,178	1,473	1,505	8,661
Sports & Leisure	1,083	1,086	(3)	0	1,072
Finance & Operations	2,557	2,086	471	575	2,957
<b>SERVICE AREA TOTAL</b>	<b>26,354</b>	<b>19,918</b>	<b>6,435</b>	<b>7,779</b>	<b>37,519</b>
Self financing	(2,667)	2,586	(5,253)		
<b>SELF FINANCING TOTAL</b>	<b>(2,667)</b>	<b>2,586</b>	<b>(5,253)</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>23,686</b>	<b>22,504</b>	<b>1,182</b>	<b>7,779</b>	<b>37,519</b>

**(b) Cabinet Member Portfolio Capital Expenditure**

Table 8 below shows CRG Approved Budget and projects by Cabinet Member for 2013/14.

**Table 8 – Cabinet Member Capital Expenditure**

All	P12 Full Year Analysis			2013/14	P11
Cabinet Member	Forecast (CRG) Net £000	Actuals Net £000	Variance Net £000	Budget Net £000	Projection
<b>Cabinet Member</b>					
Adults & Public Health - Cllr Robathan	275	77	198	10	275
Business Skills and Housing - Cllr Astaire	772	(945)	1,716	811	680
Children and Young People - Cllr Chalkley	1,414	781	634	3,473	1,415
City Management Transport and Environment - Cllr Argar	13,643	11,763	1,880	15,923	13,620
Community Protection, Premises and Parking - Cllr Aiken	0	0	0	0	0
Community - Cllr Summers	3,042	2,979	63	5,684	3,142
Finance, Resources and Customer Services - Cllr Caplan	7,208	5,264	1,944	11,618	6,057
<b>SERVICE AREA TOTAL</b>	<b>26,354</b>	<b>19,918</b>	<b>6,436</b>	<b>37,519</b>	<b>25,190</b>
Finance, Resources and Customer Services - Cllr Caplan	(2,667)	2,586	(5,253)		
<b>SELF FINANCING TOTAL</b>	<b>(2,667)</b>	<b>2,586</b>	<b>(5,253)</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>23,686</b>	<b>22,504</b>	<b>1,182</b>	<b>37,519</b>	<b>25,190</b>

The major variances by Cabinet Member are as follows:

- **City Management, Transport & Environment (Cllr Argar)**

The reduction of £1.9M is due to the delay to works to take advantage of the reduced rates offered by the new provider (£1.2M) and the reduction of client costs and release unused risk and contingency funds following the final review of all projects with the previous provider (£0.6M).

- **Business Skills and Housing** (Cllr Astaire)

Reduction of £1.7M which is due to the successful outcome of the Emmanuel House LVT which ruled that the works costs may be recovered from leaseholders, enabling the Service Area to reverse its provision for non-recovery.

- **Children and Young People** (Cllr Chalkley)

Reduction of £0.6M which is due to delayed drawdown by schools for the BSF ICT programme impacted by the completion of the new BSF funded Quintin Kynaston.

- **Finance, Resources and Customer Services** (Cllr Caplan)

Property is showing a £1.5M underspend primarily due to delays in the City Hall Chillers and works on WCC owned properties and Finance & Operations a £0.5M underspend due to equipment shipping delays.

- **Self financing** (Cllr Caplan)

The £5.3M movement is primarily due to the timing of cash flows for the self financing schemes. The full year net expenditure of £2.6M for these schemes was due to the purchase of an additional unit at Grosvenor Waterside (£1M) and the removal of WAES funding for the new Academy on Amberley Road (£1.6M).

**(c) Year-end Work In Progress**

Meetings were held with the Service Areas and SEB Directors to identify the action that needed to be taken to:

- Ensure that completed projects were transferred to the Fixed asset register, and
- Deliver a robust Work In Progress (WIP) figure to meet audit requirements.

The current closing 2013/14 WIP balance of £47.2M, is not only significantly higher in absolute terms than 2012/13 but also a significant proportion (68%) of gross expenditure. Although some progress has been made in validating this position, activities are ongoing as part of the closure/Annual Accounts preparation process, to validate Work in Progress and update project status. SEB Directors, with the support of Finance Business Partners, are requested to support these activities within their respective areas. Individual reports will be sent out over the coming weeks to each Director to confirm that their WIP figure is correct and supportable.

Over the last 2-3 years, Finance has worked to increase the scrutiny and challenge on capital reporting, monitoring and ownership. We have also refocused key capital accounting and reporting activities in-year as opposed to year-end through soft and hard closes. Despite having made good progress there is more to be done and this will be core to Business Partner and Corporate Finance activities over the coming year.

### 3. Debt Position

#### (a) Accounts Receivable/Debt Management Project

The first phase of the project concluded with the resolution of a number of long term issues, primarily within Property and the delivery of a 30 point Action Plan, emanating from the Phase 1 work. The Phase 2 will be to ensure that attainable improvement targets are identified and agreed with Service Areas and re-engineered processes are implemented throughout the Council and embedded in core business as usual processes.

#### (b) Year-end Debt Position

At Period 12, the current position comprises of: £16.9M Sundry Debt (an increase of £1.6M on Period 11) and £68.6M Service Specific Debt (an increase of £2.2M on Period 11). The increase in Sundry Debt of £1.6M relates largely to increases in Children's Services (£2M) and City Management (£0.6M) partly offset by decreases in Built Environment (£0.4M), Public Health (£0.3M) and Adults Social Care (£0.3M). The increase in Service Specific Debt of £2.2M relates mostly to an increase in Property (£2.3M).

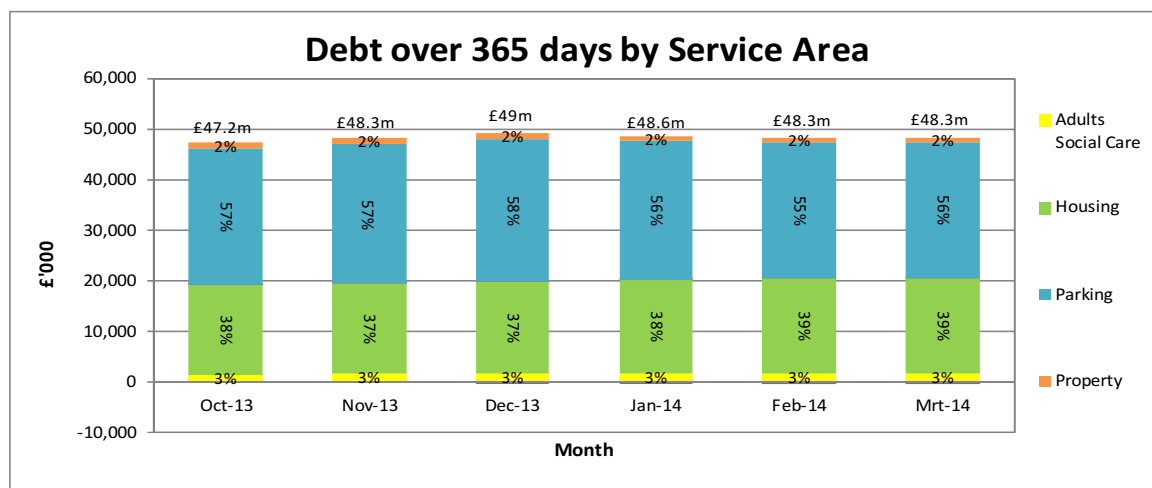
The total aged Debt profile is shown in the **Table 9** below.

**Table 9 – Total Aged Debt Profile**

Service Area - Sundry Debt (SSC - Order to Cash Team)	Days	Days	Days	Days	Days	Days	Total	Provision
	0-30	31-60	61-90	91-180	181-365	>365		
	£000	£000	£000	£000	£000	£000	£000	£000
Adults Social Care	7,778	144	380	362	419	1,403	10,485	2,144
Children's Services	2,455	583	17	54	20	59	3,189	89
Libraries & Culture	5	3	47	3	2	19	80	9
Built Environment	472	113	106	31	24	22	769	365
City Management	766	29	8	74	59	121	1,057	416
Parking	0	0	0	0	0	0	0	0
Housing (incl CWH)	50	0	14	6	18	50	139	2
Property	0	0	0	13	0	1	15	2
Sports & Leisure	53	0	0	40	0	(2)	91	14
Public Health	0	0	0	0	0	0	0	0
SEB & Strategic Support	226	53	33	113	(1)	(7)	417	118
Finance & Operations	512	21	26	27	(7)	89	668	135
<b>Total</b>	<b>12,319</b>	<b>947</b>	<b>631</b>	<b>723</b>	<b>535</b>	<b>1,756</b>	<b>16,910</b>	<b>3,294</b>
% of Debt	73%	6%	4%	4%	3%	10%		
<b>Service Specific Debt</b>								
Property	2,751	211	3	98	141	929	4,133	950
Housing Benefit Overpayment	878	439	440	1,157	1,835	14,072	18,821	16,796
Housing TA Arrears	1,076	0	0	0	0	4,829	5,905	4,569
Commercial Waste	894	92	70	69	21	(149)	998	112
Parking	1,508	1,055	1,026	3,068	5,211	26,903	38,771	36,436
<b>Total</b>	<b>7,108</b>	<b>1,798</b>	<b>1,539</b>	<b>4,392</b>	<b>7,208</b>	<b>46,584</b>	<b>68,628</b>	<b>58,864</b>
% of Debt	10%	3%	2%	6%	11%	68%		
<b>Grand Total</b>	<b>19,427</b>	<b>2,744</b>	<b>2,170</b>	<b>5,115</b>	<b>7,743</b>	<b>48,340</b>	<b>85,538</b>	<b>62,159</b>

The level of extremely old Debt (over 365 days) stands at £48.3M which is unchanged from Period 11. The bad debt provision stands at £62.2M equivalent to 73% of the total (£85.5M) debtor balance. A breakdown of old debt (over 365 days) by Service Area is shown in **Graph 1** below.

A breakdown of old Debt (over 365 days) by Service Area is shown in **Graph 1** below.



## **SECTION 5: FINANCE STRATEGIC PROJECTS**

The status of the key Finance Strategic Projects as at Period 12 is identified below:

- **Finance/HR Managed Services Programme** – This remains the key strategic project for Finance. We are working, in conjunction with PWC and BT, towards a successful “Go Live” in Q3 2014/15. Overall the Programme remains on track and key achievements this month have included:
  - Baselining and agreeing standard operating procedures (SOPs);
  - Resolving outstanding system design issues;
  - Mapping of organisational structures to form the basis for system access, responsibilities, and financial approval levels;
  - Drafting of a Learning Strategy which sets out the approach for go-live and beyond; and
  - Rolling out career development support to directly impacted staff

Work will now continue into 2014/15 and the focus over the next month will include solution build, legacy systems integration, preparation for Systems Integration Testing, and identification of reporting requirements to support the operation of the Tri-Borough Intelligent Client Function.

- **Medium-Term Financial Planning/Strategic Planning** - The medium-term financial planning process commenced in the summer of last year and is progressing well in meeting the medium-term financial challenge. A Cabinet Member sub-group has been established and has met on several occasions to canvass options. All Service Areas are working increasingly across cross-cutting themes to deliver savings to the Council. We have also met with a number of academic partners, including Andrew Likierman (Dean of the London Business School), Henry Overman (Professor of Economic Geography at the London School of Economics) and Greg Clark (economist and member of the London Enterprise Panel) to provide external challenge and validation for our proposals. Detailed business cases are prepared for all proposals to ensure robust investment decision-making. We are well on track to deliver a detailed savings programme for 2015/16 and 2016/17.

**25 April 2014**