

TELFORD & WREKIN COUNCIL**CABINET – 27TH OCTOBER 2009****2009/10 FINANCIAL MONITORING REPORT – SUMMARY REPORT****REPORT OF THE HEAD OF FINANCE & AUDIT****1.0 PURPOSE**

To provide Members with the latest financial monitoring information for 2009/10 relating to: the revenue budget and capital programme, income and the payment of supplier invoices.

2.0 RECOMMENDATIONS**Members are asked:**

- 2.1** To note the overall financial position which is currently projecting to be within budget by year end.
- 2.2** To approve the virement of £1m into Children & Families, detailed in para. 5.4, which following Cabinet will go forward to Council for approval
- 2.3** To note the performance against income targets.
- 2.4** To note the underperformance against the target for paying supplier invoices and the action needed to address this.
- 2.5** To approve the new capital allocations, capital virements, and re-phasing detailed in Appendix III, which following Cabinet will go forward to Full Council for formal approval; and the use of the revenue contingency detailed in para. 6.1.

REVENUE

Overall the budget is projected to be within budget by year end.

Changes since the July Cabinet Report

The key changes are the significant increase in the cost of Looked After Children and Specialist Education together with benefits from reviewing pay and general inflation and treasury activities.

Variations - £m	July Report	Change	Current Projection
Looked After Children	+1.000	+1.077	+2.077
Specialist Education	+0.286	+0.250	+0.536
CYP One off Funds	0.000	-0.718	-0.718
PIP rentals	+0.401	+0.241	+0.642
ACW Purchasing Budgets	-0.129	+0.154	+0.025

Increased recycling	0.000	-0.200	-0.200
Pay/General Inflation Review	0.000	-0.970	-0.970
Benefits Subsidy (reduced B&B usage)	0.000	-0.113	-0.113
Treasury Management	-0.300	-0.600	-0.900
Public Inquiry Costs	+0.325	0.000	+0.325
Concessionary Travel	0.000	-0.060	-0.060
Shortfall in Planning Fees (net of bals)	0.000	+0.100	+0.100
Other	-1.757	+0.019	-1.738
Total	-0.174	-0.820	-0.994

Overall Current Position

The revenue position is summarised below with further detail available in the overall report and appendices.

Portfolio	Service Pressures	Council Wide Pressures	Total Variations	Cumulative Bwfd Service Balances
	£m	£m	£m	£m
Children & Young People	1.704	0.000	1.704	0.136
Environment & Regeneration	0.130	0.623	0.753	(0.268)
Adult & Consumer Wellbeing	0.046	0.000	0.046	(0.285)
Resources	(0.339)	0.182	(0.157)	(0.667)
Chief Executive/Policy	0.034	0.012	0.046	(0.068)
Corporate	0.000	(3.386)	(3.386)	(0.148)
Total Overspend/(Underspend)	+1.575	(2.569)	(0.994)	(1.300)

CAPITAL

- **Spend is currently £9.9m** against a total capital programme of £67.6m i.e. 14.6%, which is usual for this point in the year. However, service areas must ensure that capital projects are effectively managed during the year so that they are delivered on time and within budget.
- A key area to monitor is the delivery of the capital receipts

INCOME COLLECTION – August 2009

	Actual	Target	Performance
Collection Levels:			
Council Tax Collection	48.15%	47.50%	+0.65% ahead of target
NNDR Collection	51.67%	52.15%	-0.48% behind target
Debt Levels:			
Sales Ledger – General	6.79%	4.9%	+1.89% behind target
Sales Ledger - ACW	1.0%	2.6%	1.60% ahead of target

NB targets have already been reduced compared to previous years to allow for the impact of the “credit crunch”

PAYMENT OF INVOICES

2009/10 Target	Performance	
	End of August	Year to Date
To pay 95% of invoices within 20 days	96%	94%

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2009/10 FINANCIAL MONITORING

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3.0 SUMMARY

3.1 Revenue

Overall revenue spend is currently projecting to be within budget by year end. The cost of Looked After Children has significantly increased since the last report with an overspend of £2.1m currently being projected. The overspend on Specialist Education has also increased and now stands at £0.536m. CYP have identified some one-off funds which assist the overall position, however the underlying cost is a key pressure that needs to be addressed in the remainder of this year and for the future budget strategy. Pay and General inflation allowances have been reviewed giving a benefit of £0.970m which together with Treasury Management surpluses of £0.900m has assisted the overall position.

3.2 **Capital**

The 2009/10 approved capital programme is £67.6m; to date 14.6% spend has taken place, which is normal at this early stage in the year.

3.3 **Income Monitoring**

Council tax collection and A&CW sales ledger are ahead of target; NNDR and General Sales Ledger are behind target which is a reflection of the impact of the recession. It should also be noted that targets were adjusted to take into account the economic conditions.

3.4 **Invoice Payment Performance**

The target for 2009/10 is to pay 95% of invoices within 20 days; overall year to date performance is below this at 94%. All Portfolios, except CYP, met or exceeded the target in August. Portfolios are asked to review processes to ensure prompt processing of invoices so that the target is met by year end.

4.0 **PREVIOUS MINUTES**

- 4.1 05/03/09 – Full Council, Service & Financial Planning Strategy
21/07/09 – Cabinet, Financial Performance Report



5.0 **2009/10 REVENUE BUDGET**

- 5.1 Detailed variations are listed in Appendices I and II and are summarised in the table below. This currently shows spend within budget at year end.


Portfolio	Service Pressures £m	Council Wide Pressures £m	Total Variations £m	Cumulative Bwfd Service Balances £m
Children & Young People	1.704	0.000	1.704	0.136
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Resources	(0.339)	0.182	(0.157)	(0.667)
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Total Overspend/(Underspend)	+1.575	(2.569)	(0.994)	(1.300)

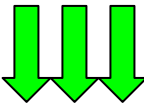




- 5.2 The projected service variations fall to portfolios to cover from their balances or offsetting areas of underspend under their control.


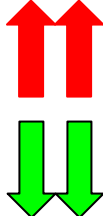



5.3 The larger projected variances (those over £100k) are highlighted separately below, while full detail on all variances over £50k are shown in Appendices I and II.



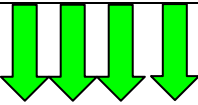



Key			
£0 to £100k	↑		Underspend
£100+to £250k	↑↑		Overspend
£250+to £500k	↑↑↑		
over £500k	↑↑↑↑		

Service Variances

Portfolio	Projected Variation £m [change]	
CHILDREN & YOUNG PEOPLE		
<p>The Portfolio is currently projecting an overspend of £1.704m for the year which is £0.478m higher than last reported. This relates to a significant increase in the costs of Looked After Children and the provision of Specialist Education.</p> <p>Children & Families – A total overspend of £2.077m relating to Looked After Children. This budget is extremely volatile as children moving in and out different placements can make significant changes in the projected financial position. The overall overspend peaked recently at £2.292m but is now projected at £2.077m overspend by year end.</p> <p>£1.5m relates to LAC. The current number of Children in Care has increased to 260. Projections for the full year have been based on the current numbers in care, type and length of placements. The numbers reflect an additional 20 to 25 placements above the average throughout the last financial year. A significant increase has been experienced in the External Foster care placements with an additional 19 placements being made since January 2009 - the average cost of an annual placement of this type is approximately £40k.</p> <p>£0.564m relates to Social Workers and the additional cost of agency staff, due to ongoing</p>	<p>+2.077 [Increased Overspend]</p>	

<p>vacancies, an increased number of assessments required, additional legal services support and increased court fees. A review of the Safeguarding 'front door' has been commissioned, to identify areas of best practice and organisational development and improvement.</p> <p>This position may change dependent on future movement in placements and placement types, and with the impact of the placements strategy; this is in the final phase of development, focusing on improved outcomes and efficient use of resources. Monitoring of external and leaving care placements and costs are subject to a robust monitoring system.</p> <p>The service has identified £0.428m of one-off funds towards the overspend in 2009/10.</p>	<p>-0.428m</p>	
<p>Specialist Education – Pressure continues and the projected overspend is based on the latest information available; £0.336m relates to additional costs arising from the placement of 3 children in September.</p>	<p>+0.536 [Increased Overspend]</p>	
<p>One off Grant Funds – the Portfolio has identified balances and flexible use of grant funding to assist the overall position on a one-off basis.</p>	<p>-0.290</p>	
ENVIRONMENT & REGENERATION		
<p>The Portfolio is currently projecting to be £0.130m overspent at year end. Within this there are a number of pressures identified, including footpath works at Wellington Cemetery; a reduction in Section 106 interest monies; and reduced planning fee income due to the economic downturn.</p>		
<p>Asset & Property Management – projected shortfall in PIP rental income due to a high level of void properties; an impact of the recession. The service is actively trying to increase occupancy levels</p>	<p>+0.400 [Increased Overspend]</p>	
<p>Use of one-off balances to meet rental shortfall</p>	<p>-0.100</p>	

<p>Landfill costs – benefits from increased recycling and diversion from landfill.</p>	<p>-0.200 [Increased benefit]</p>	
<p>ADULT & CONSUMER WELLBEING</p>		
<p>The Portfolio is currently projecting an overspend of £0.046m for the year. This is an increase from the previous monitoring</p>		
<p>Adults with Learning Difficulties – increased cost of care packages due to an increase in demand as clients move from Children’s to Adult Services. This is partly offset from Assessment & Care Management underspends, due to vacant posts.</p>	<p>+0.177 [reduced overspend] -0.138 [reduced benefit]</p>	
<p>Older People Services – a benefit of £0.206m is currently projected which is due to the additional funds allocated as part of the budget strategy and may potentially be needed to meet high demand over the winter period.</p>	<p>-0.206 [reduced benefit]</p>	
<p>Housing Needs – the cost of initiatives to reduce the number of people in temporary accommodation; reducing the usage and cost of B&B has a positive impact on the amount of benefit subsidy the authority loses which is flagged as a corporate benefit below)</p>	<p>+0.104 [increased overspend]</p>	
<p>Leisure Services Income – shortfall against income targets at the Ice Rink and Madeley Court; £0.080m projected surplus at other leisure sites is forecast to offset this.</p>	<p>+0.135 -0.080</p>	
<p>RESOURCES</p>		
<p>The Portfolio is currently projecting an underspend of £0.339m which relates to a number of variances under £100,000. This includes savings from 6 vacant posts in ICT which are being put forward towards the 2010/11 savings strategy and additional benefits administration grant.</p>		
<p>CEX/POLICY</p>		
<p>CEX and Policy are currently showing an overspend of £0.034m which is a number of minor variances under £50,000.</p>		

Council Wide and Other Non-Controllable Budgets		
A number of corporate pressures are highlighted including the costs of managing Stoneyhill closed landfill site; funding for the Business Efficiency Team; external audit fees; a shortfall in land charges income; and costs associated with the Coroner.		
Asset & Property Management – loss of PIP rental income due to voids at Euston House.	+0.242 [increased overspend]	
Housing & Council Tax Benefit Subsidy – the use of Bed & Breakfast accommodation for homelessness cases cost the Council £0.477m in lost subsidy in 2008/09, part of which was budgeted. The final overspend on the subsidy as a whole, including the B&B cases, was £0.291m. £0.200m additional funds were included in the 2009/10 budget and ACC are implementing an action plan to reduce the use of B&B. Initial trends show a decrease in this early part of the year, however given the economic climate, this is an area which will be closely monitored.	-0.113 [increased benefit]	
Treasury – benefits from restructuring undertaken earlier in the year, the impact of cash flow and the changed regulations for calculating MRP have given rise to a projected underspend of £0.900m for 2009/10. This is after meeting the additional revenue costs of the £6m BTI/Roads investment and the anticipated lower returns from Fund Managers. More detail is included in para 8. Below.	-0.900 [increased benefit]	
Pay/General Inflation – a review of pay and other inflation has taken place in light of the current low inflation levels.	-0.970 [increased benefit]	
Planning & Environment – 2009/10 costs associated with the public inquiry into the planning application for opencast mining in Lawley. There is potential of another inquiry which will incur costs in 2009/10 relating to the waste incinerator.	+0.325 [unchanged]	
Business Efficiency Team – the unfunded element of the business efficiency team	+0.114 [slight increase]	

Princess Royal Hospital Campaign – costs to support the provision of health care for the borough are likely to be around £0.040m; approval to fund this from the contingency is sought below.	+0.040	
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5.4 It is proposed that, for 2009/10 only, the benefit from the pay settlement and the general review of inflation, is used to support the Children & Families budget. The following virement is put forward for approval to action this:

	£
Salaries budgets - 1% benefit from the pay settlement	-570,000
Various budgets – review of general Inflation	-400,000
Treasury Management	-30,000
Children & Families	+1,000,000

6.0 CONTINGENCIES

6.1 The 2009/10 budget includes combined contingencies of £1.596m which is set aside to meet any unforeseen expenditure:

	£m
General Revenue Contingency	0.596
Additional Contingency – one off only	1.000
	1.596
For Approval :	
Princess Royal Hospital Campaign	0.040
Uncommitted balance in contingency	1.556

7.0 **2009/10 CAPITAL PROGRAMME**

The capital programme for 2009/10 totals £67.560m. Expenditure at the time of compiling this report was £9.860m.

	2009/10 Approved Budget £m	2009/10 Expenditure To Date £m	%	2009/10 Projected Expenditure £m
Adult & Consumer Well Being	10.661	0.837	7.85	10.661
Building Schools for the Future	0.767	0.175	22.88	0.767
Children & Young People	14.841	3.325	22.40	14.841
Environment & Regeneration	35.488	5.414	15.26	35.488
Resources/ Council Wide	5.803	0.109	1.88	5.803
Total	67.560	9.860	14.59	67.560

7.1 There are a number of new allocations, virements and slippage reported which will require formal approval at Full Council. These are shown in Appendix III.

8.0 **TREASURY**

8.1 Following updated guidance from CIPFA, treasury policies, procedures and the associated management of risk are to be reviewed by the Audit Committee while Treasury Management performance will continue to be reported as part of the regular financial monitoring to Cabinet.

8.2 The Council's treasury management position at the beginning of the year and the current position is as follows: -

	31 March 2009 Principal £m	30 Sept 2009 Principal £m
Fixed Rate Borrowing	125.024	108.024
Variable Rate Borrowing	<u>64.099</u>	<u>18.542</u>
Total Debt	189.123	126.566
Investments - in-house	84.507	54.015
- with external managers	<u>58.397</u>	<u>45.554</u>
Total Investments	142.904	99.569
Net Indebtedness	(46.219)	(26.997)

8.3 **Activities since 1st April 2009**

Base Rate has been held at 0.5% since the start of the year and inflation has continued to fall.

The overall aim of Treasury Management is to achieve the maximum return with minimum risk. In this current period of lower interest rates the strategy is to reduce investments and borrowing as the opportunity arises.

Since the beginning of the year the Council has repaid £17m of PWLB debt, this consisted of 2 loans, one that was in discount for £213,378 and one that incurred a premium of £190,671. Under regulations discounts are taken to the revenue account over 10 years and premia are charged over 25 years, benefiting the revenue account by £14,000 each year for the first 10 years, coupled with this the loans were running at 4.25% and 4.5% and our temporary borrowing rates have been considerably lower than this. This short term saving will mainly benefit 2009/10 but will also have benefits in later years.

We have had a number of investments mature during the first part of the year and these have been used to repay temporary borrowing. The Council also carried out a review of Fund Managers during July and decided to reduce the number of fund managers from 3 to 2. At 31st August £8m had been returned to the Council with the remaining £11m being returned during September as it matures. This will be used to reduce temporary borrowing.

Overall our net indebtedness has fallen from £46.2m to £27.0m since the start of the year. This is consistent with the cashflow benefits the Council experiences each year with income from Council Tax and NDR more than offsetting revenue spend in the first half of the year. A lot of spend is geared to the second half of the year with the main part of this being capital spending.

There have been a number of reviews published since the Icelandic crisis, including those from the Audit Commission and Cipfa. The Council has reviewed its policies and procedures in the light of these reports and we have worked closely with our Treasury Advisors, Sector, during this time with whom we regularly monitor the Council's investment portfolio. Sector regularly updates information on credit ratings and their latest advice on the suggested length of investment has been shortened since November. All our investments were placed out before these changes and all met the investment criteria and limits at the time of investment. The Council has one investment which since entering into has now fallen slightly below our credit rating criteria. This investment is for £5m and is earning a very good return of 6.62% interest. The counterparty is guaranteed by the Belgium government and we currently see very little risk in continuing to hold this investment, a view that is shared by our treasury advisors. As the Council would have to pay a penalty for early repayment of the investment, if this could be agreed, and it would not be possible to re-invest at a yield anything like as high as 6.62% a decision to retain the investment has been taken; although the credit rating of the bank concerned will be regularly monitored. Sector have also advised that in terms of counterparty quality and income yield we hold the best internally managed portfolio of all their clients.

- 8.4 A projected benefit of £0.900m is reported for 2009/10. This is a combination of benefits from debt restructuring undertaken earlier in the year; changes to the way MRP is calculated (the amount the Council has to charge for the cost of borrowing); and cash flow net of underperformance of investment income, including Fund Manager returns and the revenue cost of the £6m BTI/Roads investment.

9.0 **CORPORATE INCOME MONITORING**

- 9.1 The Council's budget includes significant income streams which are regularly monitored to ensure they are on track. The three main areas are Council Tax, NNDR (business rates) and Sales Ledger income. Current monitoring information on first year collection rates is provided below.

The Council continues to pursue outstanding debt beyond the first year vigorously, until all possible recovery avenues have been exhausted, but also prudently provides for bad debts in its accounts. The economic conditions have been considered when setting the targets for 2009/10.

Council Tax	2008/09 Outturn	97.7%
	2009/10 Target	97.2%
	2009 Debit	£57.9m

First Year performance to the end of August is:

	Month End Target	Month End Actual	Aug 2008 Actual	Variance
The percentage of council tax collected	47.5%	48.15%	48.21%	+0.65% ahead of target

NNDR	2008/09 Outturn	98.3%
	2009/10 Target	97.8%
	2009 Debit	£65.6m

First Year performance to the end of August is:

	Month End Target	Month End Actual	Aug 2008 Actual	Variance
The percentage of NNDR collected	52.15%	51.67%	52.72%	-0.48% behind target

NNDR collection is 0.48% behind the target for August 2009 and 1.05% behind the actual in August 2008

Sales Ledger Income

Recovery processes for other income due to the Council varies between income billed by Social Services, around £24m p.a., and the rest, which is around £20m p.a.

Adult & Consumer Wellbeing – Social Care

Outstanding Debt	Target %	August 2009		
		£'000	%	
2 – 6 months	0.9%	93	0.4%	Inside target
7 – 12 months	0.6%	84	0.3%	Inside target
> 12 months	1.1%	61	0.3%	Inside target
Total	2.6%	237	1.0%	Inside target

Other Council Services

Performance to the end of August is:

Percentage of Outstanding Sales Ledger Debt:	Target	Month End Actual	Variance
2 – 6 months	2.5%	4.60%	2.10% outside target
6-12 months	1.1%	1.05%	0.05% inside target
Over 12 months	1.3%	1.14%	0.16% inside target
Total	4.9%	6.79%	1.89% outside target

The 2-6 month category is outside target by 2.1% due to a number of large invoices which have moved into this category; the majority of these cases have already reached the legal team or are at pre-bailiff stage.

10.0 PAYMENT OF INVOICES

- 10.1 In 2009/10 a target has been set to pay 95% of invoices within 20 days of receipt. Paying invoices promptly is one of the ways the Council can help suppliers as it benefits their cash flow. The payments system was also changed in February 2009 so that all invoices input are paid immediately.
- 10.2 Performance for August showed the Council overall achieving 96% with only CYP falling below the target at 94%. Performance for the year to date is slightly behind target at 94%. Portfolios are reminded to ensure invoices are processed promptly to ensure the target is met during 2009/10.

11.0 OTHER CONSIDERATIONS

Equality & Diversity

There are no implications directly arising from this report.

Environmental Impact

There are no implications directly arising from this report

Legal Comment

Regular financial monitoring forms part of the assurance for strong financial management. Section 28 of the Local Government Act 2003 makes it a statutory duty for Local Authorities to monitor their income and expenditure against budget, and to take action if overspends or shortfalls in income emerge.

Links with Corporate Priorities

Good financial monitoring and the efficiency agenda form part of building a Modern, Effective Council

Opportunities & Risks

The opportunities and risks associated with the report have been identified and assessed. Arrangements will be put in place to manage the risks and maximise the opportunities that have been identified.

Financial Implications

The financial implications are fully detailed within the report.

Ward Implications

District Wide Implications

12.0 BACKGROUND PAPERS

2009/10 Budget Strategy / Financial Ledger reports

Report Prepared by:

Ken Clarke, Head of Finance & Audit– 01952 383100;

Pauline Harris, Corporate Finance Manager - 01952 383701