

TELFORD & WREKIN COUNCIL

CABINET – 21ST JULY 2009

FINANCIAL PERFORMANCE – SUMMARY REPORT

REPORT OF THE HEAD OF FINANCE & AUDIT

1.0 PURPOSE

To provide Members with

- (i) an update on progress in achieving and reporting value for money (VFM) efficiency gains for 2008/09.
- (ii) the latest financial monitoring for 2009/10

2.0 RECOMMENDATIONS

Value for Money Efficiencies - Members are asked:

- 2.1** To note that the Council has achieved its 3% efficiency target for 2008/09 which will be reported to CLG on the 24th July and that work will now commence on the 2009/10 target
- 2.2** To approve the information in Appendix IV which will form the basis of the submission to CLG. Work will continue to refine the detail to ensure that the performance measures are complete and the Council reports all of the efficiencies achieved.

2009/10 Financial Monitoring – Members are asked:

- 2.3** To note the overall financial position which is currently projected to be within budget by year end but also the significant budget pressures already being experienced in 2009/10 which require management action to ensure Portfolios spend within the cash limits set.
- 2.4** To note the declining performance against income targets
- 2.5** To note the slight underperformance against the target for paying supplier invoices and the action being taken to address this.
- 2.6** To approve the revenue virements detailed in para. 6.4 and the new capital allocations, capital virements, and re-phasing detailed in Appendix III, which will go forward to Full Council for formal approval.

VALUE FOR MONEY EFFICIENCIES (NI 179)

- The Council has achieved the 3% efficiency target for 2008/09:

	Target	Actual
2008/09 Efficiencies	£4.582m	£4.661m
Percentage Efficiency Level	3.00%	3.05%

Note: the Government sets specific criteria for efficiencies to be eligible for inclusion in NI 179 and the efficiencies identified do not align to budget savings.

REVENUE

- **Overall spend is projected to be within budget;** after taking the £1.596m uncommitted contingency and service action plans into account – the key pressure area continues to be Looked After Children together with the impacts of the recession on income targets.

The main pressures highlighted are:	£m	
Looked After Children	1.000	Overspend
Specialist Education	0.286	Overspend
Public Inquiry Costs	0.325	Overspend
Income Shortfalls:		
PIP rentals	0.401	
Section 106	0.050	
Leisure Sites	0.130	Income
Land Charges	0.032	Shortfalls
Purchasing Care Budgets Adult with Learning Disability clients	0.613	Overspend
	0.182	

The main benefits highlighted are:	£m
Uncommitted element of the budgeted contingency	-1.596
Service Action Plans	-0.400
Purchasing Care Budgets – Older People and Physical & Sensory Disability clients	-0.311
Treasury Management	-0.300
Assessment & Care Management	-0.164

- **Action Plans** – given the current pressures, Services are now reviewing options to mitigate the overspend. These include identifying potential underspends across other services; considering any 2010/11 savings proposals which could be implemented during 2009/10; reviewing the potential for flexible use of grant funding allocations; and refining treasury projections, following closedown.
- **Inflation** – as inflation continues to fall, a review of the assumptions built into the base budget will take place, which could result in a saving.

- **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	1.226	0.000	1.226	0.136
Environment & Regeneration	0.679	0.182	0.861	-0.268
Adult & Consumer Care	-0.053	0.000	-0.053	-0.285
Resources	-0.178	0.169	-0.009	-0.667
Chief Executive/Policy	0.037	0.000	0.037	-0.068
Corporate	-0.400	-1.836	-2.236	-0.148
Total	1.311	-1.485	-0.174	-1.300

CAPITAL

- **Spend is currently £2.3m** against a total capital programme of £61.5m i.e. 3.8%, 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 – May 2009

	Actual	Target	Performance
Council Tax Collection	19.99%	19.55%	+0.44% ahead of target
NNDR Collection	22.43%	24.33%	-1.9% behind target
Sales Ledger – General Income	4.56%	4.9%	0.34% ahead of target
Sales Ledger ACC Income	1.4%	2.6%	1.2% 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 May	Year to Date
To pay 95% of invoices within 20 days	92%	93%

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3.0 SUMMARY

3.1 Value for Money Efficiencies (NI 179)

The Government has placed a target on all public services to achieve at least 3% net cash-releasing VFM gains in 2008/09 and 2009/10, rising to 4% in 2010/11. The Council has identified a total of £4.661m

(3.05%) efficiencies for 2008/09 which will be reported to CLG on the 24th July. Work will now begin on collecting information for the 2009/10 estimate, which must be submitted in October 2009 and will appear on 2010/11 Council Tax bills.

3.2 Revenue

Overall revenue spend is currently projecting to be £0.174m within budget, after taking into account the £1.596m uncommitted budget contingency and service action plans. Key pressures are Looked After Children and Specialist Education, together with the impact of the recession on income targets.

As inflation continues to fall, a review of the assumptions built into the base budget will take place, which could result in a saving.

Services are now reviewing options to deal with the overspends. These include identifying potential underspends across other services; considering any 2010/11 savings proposals which could be implemented during 2009/10; reviewing the potential for flexible use of grant funding allocations; and refining treasury projections, following closedown.

3.3 Capital

The 2009/10 approved capital programme is £61.5m; to date 3.8% spend has taken place, which is normal at this early stage in the year.

3.4 Income Monitoring

Income collection is suffering from the impacts of the recession. Despite targets being adjusted to take into account the economic conditions NNDR figures are behind target, while Council tax collection and sales ledger are within target.

3.5 Invoice Payment Performance

The target for 2009/10 is to pay 95% of invoices within 20 days; performance is currently below this at 93% for the year to date. Portfolios are reviewing processes to ensure prompt payment is achieved.

4.0 PREVIOUS MINUTES

4.1 05/03/09 – Full Council, Service & Financial Planning Strategy

5.0 VALUE FOR MONEY EFFICIENCIES (NI 179)

5.1 Background

- 5.1.1 The 2007 Comprehensive Spending Review placed a target on all public services to achieve at least 3% net cash-releasing value for money (VFM) gains per annum over the period 2008/09 to 2010/11. The target for 2010/11 was increased to 4% in the Governments Budget announced in April 2009.
- 5.1.2 Councils have to report the total net value of ongoing efficiencies as part of the National Indicator Set, NI 179, and are required to submit figures twice a year: a **projected forecast** for the year in October and **actual efficiencies** achieved in July.
- 5.1.3 The National Indicator only includes those efficiencies which meet specific criteria set by Government and do not directly align with budget savings. Some budget savings, for example Treasury Management savings or savings which involve a service cut cannot be included under NI 179; conversely, other efficiencies can be included which are not budget savings, for example cash-releasing reductions to unit costs.

5.2 Efficiencies Achieved

- 5.2.1 Using the national methodology, targets for Telford & Wrekin Council are:

T&W 2007/08 Baseline	£152.7m
2008/09 Target Efficiencies	£4.5m
2009/10 Target Efficiencies	£4.7m
2010/11 Target Efficiencies	£6.7m
Total 2008/09 to 2010/11	£15.9m

- 5.2.2 Efficiencies identified by Portfolios are summarised below (with detail provided in Appendix IV) and currently total £4.661m, which is 3.05% of the baseline, assuming all performance measures are met.

Service	2008/09 Target £'000	2008/09 VFM Efficiencies £'000	Variance (shortfall) £'000	Percentage Efficiency Level Achieved %
Adult & Consumer Care	1,800.00	599.96	(1,200.04)	1.00%
Environment & Regeneration	1,080.00	560.56	(519.44)	1.56%
Community Services	400.00	441.57	41.57	3.31%
Children & Young People	450.00	1,147.00	697.00	7.65%
Resources /CEX	852.00	1,486.78	634.78	5.24%
Corporate Initiatives		425.00	425.00	
Total	4,582.00	4,660.87	78.87	3.05%

5.2.3 We must also be able to show that the VFM gains achieved have not led to a decline in service quality. Portfolios were asked to identify performance measures to evidence this and these are also shown in Appendix IV. There are a few performance measures where information is still being gathered. If information is not provided, these efficiencies will have to be deleted and the overall total will reduce accordingly.

5.3 Challenge & Scrutiny

5.3.1 It is important that the process for collecting and reporting NI 179 efficiency information includes sufficient challenge and scrutiny. To achieve this both Internal Audit and the Value for Money Scrutiny Group have had a role to play in validating the data and processes.

5.3.2 The Value for Money (VFM) Scrutiny Group has reviewed the efficiencies in two stages: the complete schedule was reviewed in May from which 19 efficiencies were selected for more detailed challenge at their meeting in June. In summary, the conclusions reached by VFM Scrutiny were:

- 17 efficiencies were validated and met all the criteria
- Further information was requested in relation to the Agency Saving to provide assurance that the quality of service has not fallen during the period of the Reed Contract – this will be reviewed by Corporate Finance/Policy to validate the efficiency prior to inclusion in the final submission.
- Close monitoring was requested in relation to the ACC establishment savings (including vacant social worker posts) – the group were satisfied that the number of assessments has increased but were concerned about any future impact on the timeliness of assessments and whether the level of vacancies would lead to any increase in risk exposure for the Council.
- A number of positive actions were identified which will feed into the 2009/10 efficiencies:
 - ICT – a review of the level of specification of PCs provided is being undertaken in conjunction with a full OJEU tendering process for PC procurement. The group were also pleased to note that the use of ICT pooled vehicles had led to a substantial saving when compared to paying mileage to employees.
 - Recycling – potentially more savings in 2009/10 as recycling rates increase; there will also be a review of the numbers of replacement boxes being issued; VFM also suggested further auditing of normal waste could take place to check that people are recycling where possible.
 - CYP – work is continuing to increase the use of Foster Care and reduce the use of more expensive placements; related to this, CYP are working with Job Centre Plus to raise awareness of Foster Care as an employment opportunity.

5.3.3 Internal audit has also reviewed the process in Portfolios, together with a small sample of the efficiencies as part of their work programme and their recommendations will feed into the final submission and forthcoming work in relation to 2009/10 efficiencies.

5.4 Next Steps

5.4.1 In accordance with the guidelines, the final value of efficiencies achieved for 2008/09 will be signed off by the Leader, Chief Executive and Corporate Director:Resources and then submitted to CLG by the 24th July deadline.

5.4.2 The Value for Money agenda is an ongoing part of our core Service and Financial Planning processes. Work will begin over the next few months to start collating the 2009/10 information as the deadline for submission of our initial projection for 2009/10 is 23rd October 2009. Like the 2008/09 figures, this is published on Council Tax bills. Our future approach to measuring and reporting VFM gains will form part of our wider Value for Money Strategy.



6.0 2009/10 REVENUE BUDGET

6.1 Detailed variations are listed in Appendices I and II and are summarised in the table below. This currently shows spend within budget for the Council as a whole.


Portfolio	Service Pressures £m	Council Wide Pressures £m	Total Variations £m	Cumulative Bwfd Service Balances £m
Children & Young People	1.226	0.000	1.226	0.136
Environment & Regeneration	0.679	0.182	0.861	-0.268
Adult & Consumer Care	-0.053	0.000	-0.053	-0.285
Resources	-0.178	0.169	-0.009	-0.667
Chief Executive/Policy	0.037	0.000	0.037	-0.068
Corporate	-0.400	-1.836	-2.236	-0.148
Total	1.311	-1.485	-0.174	-1.300




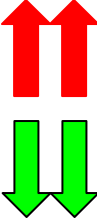
6.2 The projected service variations fall to portfolios to cover from their balances or offsetting areas of underspend under their control.





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

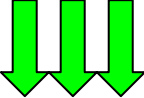
Key		
£0 to £100k	↑	 Underspend
£100+to £250k	↑↑	 Overspend
£250+to £500k	↑↑↑	
over £500k	↑↑↑↑	

Service Variances

Portfolio	Projected Variation £m	
CHILDREN & YOUNG PEOPLE		
<p>The Portfolio is currently projecting an overspend of £1.226m for the year which relates to the continuing costs of Looked After Children and the provision of Specialist Education.</p> <p>Children & Families – Looked After Children £0.750m relates to Specialist Placements, Leaving Care and Foster Care – these costs are likely to rise.</p> <p>£0.250m relates to Social Workers and the additional cost of agency staff, due to ongoing vacancies. A review of the Safeguarding 'front door' has been commissioned, to identify areas of best practice and organisational development and improvement.</p> <p>The current number of Children in Care has jumped to 258. 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 20 placements being made since January 2009 - the average cost of an annual placement of this type is approximately £45k.</p> <p>This position may change dependent on future movement in placements and placement types, and with the impact of the placements</p>	+1.000	

<p>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>Specialist Education – the overspend relates to the placement of 2 children – work is underway to identify how this additional cost can be accommodated within the portfolio’s budget. A new case, relating to a child who has recently moved in to the area with Autistic Spectrum Disorder, may increase costs by a further £0.070m. There is concern that this pressure could increase.</p>	<p>+0.286</p>	
<p>ENVIRONMENT & REGENERATION</p>		
<p>The Portfolio is currently projecting an overspend of £0.679m for the year.</p> <p>Pressures highlighted include footpath works at Wellington Cemetery; a reduction in Section 106 interest monies; and increased pension costs relating to former T&W staff previously transferred to TWS.</p>		
<p>Planning & Environment – 2009/10 costs associated with the public inquiry into the planning application for opencast mining in Lawley</p>	<p>+0.325</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>+0.300</p>	
<p>ADULT & CONSUMER CARE</p>		
<p>The Portfolio is currently projecting an underspend of £0.053m for the year.</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 Asset & Care Management underspends, due to vacant posts.</p>	<p>+0.182</p> <p>-0.164</p>	

Older People Services – a benefit of £0.247m is currently projected which is due to the additional funds allocated as part of the budget strategy.	-0.247	
Leisure Services Income – shortfall against income targets at the Ice Rink and Horsehay Golf Complex due to the impacts of the recession.	+0.130	
RESOURCES		
The Portfolio is currently projecting an underspend of £0.178m.		
CEX/POLICY		
CEX and Policy are currently showing an overspend of £0.037m which is a number of minor variances under £50,000.		
Service Action Plans		
Other measures are being reviewed by services to mitigate overspends. These include identifying potential underspends across other services; considering any 2010/11 savings proposals which could be implemented during 2009/10; reviewing the potential for flexible use of grant funding allocations; and refining treasury projections, following closedown.	-0.400	
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	+0.101	
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.		
Treasury – as anticipated continual low interest rates are affecting investment income in 2009/10, although some benefit from debt restructuring has been achieved – an element of any savings achieved will be required to fund the additional £6m BTI/Roads investment programme. Following closedown, further work is now being undertaken to refine projections which will be reflected in future reports.	-0.300	
Princess Royal Hospital Campaign – costs to support the provision of health care for the borough are likely to be around £0.040m.		

6.4 A number of virements are put forward for approval, mainly relating to the final Dedicated Schools Grant settlement being received :

	Original 2009/10 Net Expenditure £	Virements £	Adjusted 2009/10 Net Expenditure £
Children & Young People			
Pre-primary education	3,678,118	(188,146)	3,489,972
Primary education	51,591,638	446,335	52,037,973
Secondary education	42,338,127	(683,836)	41,654,291
Special education	9,552,622	791,330	10,343,952
Prim / Sec School - Other Special Education Expenditure	(350,791)	106,018	(244,773)
Tuition, Medical & Behavioural Service	1,964,794	(85,771)	1,879,023
Lifelong Learning	253,489	(33,888)	219,601
Youth/Connexions Service	1,367,940	(28,995)	1,338,945
Childrens Fund	33,123	(7,980)	25,143
Schools Other	397,112	43,924	441,036
Community	193,674	(6,852)	186,822
Dedicated Schools Grant	(95,817,490)	(349,255)	(96,166,745)
Education Management & support Services	2,884	(2,884)	0
TOTAL	15,205,240	0	15,205,240

7.0 CONTINGENCIES

7.1 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

There are currently no commitments against the contingencies.

8.0 2009/10 CAPITAL PROGRAMME

The capital programme for 2009/10 totals £61.455m. Expenditure at the time of compiling this report was £2.344m.

	2009/10 Approved Budget £m	2009/10 Expenditure To Date £m	%	2009/10 Projected Expenditure £m
Adult & Consumer Care	10.661	0.358	3.36	10.661
Building Schools for the Future	0.767	0.058	7.59	0.767
Children & Young People	13.652	1.361	9.97	13.652
Environment & Regeneration	30.572	0.550	1.80	30.572
Resources/ Council Wide	5.803	0.017	0.29	5.803
Total	61.455	2.344	3.81	61.455

8.1 There are a number of new allocations, virements and slippage which are detailed in Appendix III for approval.

9.0 TREASURY

9.1 An update on the 2009/10 position was reported to Full Council on the 25th June. A review of investment arrangements is underway, with Sector, our external treasury advisors. Monitoring arrangements are also being reviewed in line with revised guidance recently issued by CIPFA. Regular updates will be provided in future financial monitoring reports.

10.0 CORPORATE INCOME MONITORING

10.1 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	2009/10 Target	97.2%
	2008/09 Outturn	97.7%

First Year performance to the end of May is:

	Month End Target	Month End Actual	Variance
The percentage of council tax collected	19.55%	19.99%	+0.44% ahead of target

NNDR	2009/10 Target	97.8%
	2008/09 Outturn	98.3%

First Year performance to the end of May is:

	Month End Target	Month End Actual	Variance
The percentage of NNDR collected	24.33%	22.43%	-1.9% behind target

NNDR collection is 1.9% behind the target for May 2009 and 1.47% behind the actual in May 2008

Sales Ledger Income

Adult & Consumer Care

Outstanding Debt	Target %	May		
		£'000	%	
2 – 6 months	0.9%	228	0.9%	On target
7 – 12 months	0.6%	76	0.3%	Inside target
> 12 months	1.2%	44	0.2%	Inside target
Total	2.6%	348	1.4%	Inside target

Other Council Services

Performance to the end of May is:

Percentage of Outstanding Sales Ledger Debt:	Month End Target	Month End Actual	Variance
2 – 6 months	2.5%	2.94%	0.44% outside target
6-12 months	1.1%	0.88%	0.22% inside target
Over 12 months	1.3%	0.74%	0.56% inside target
Total	4.9%	4.56%	0.34% inside target

11.0 PAYMENT OF INVOICES

11.1 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.

- 11.2 Performance to date shows that the Council is currently behind target at 93%; although the average time taken to pay invoices was only 10 days in May, so the majority of invoices were paid promptly. Portfolios are working to review processes and improve performance.

12.0 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. The VFM efficiencies shown are cash-releasing to meet the criteria for NI 179. The Council's budget strategies include savings and identify the associated financial implications. Those which meet NI 179 criteria have been included in NI 179. Other cash-releasing benefits are recycled to further improve services and efficiency in line with the principles of the Governments efficiency agenda. Performance against efficiency targets is reviewed as part of the annual CAA, Use of Resources judgement and has an important part to play in demonstrating value for money.

Ward Implications

District Wide Implications

13.0 BACKGROUND PAPERS

2009/10 Budget Strategy / Financial Ledger reports

CLG - Measuring and Reporting Value for Money Gains

Report Prepared by:

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

Pauline Harris, Corporate Finance Manager - 01952 383701