

## **TELFORD & WREKIN COUNCIL**

**CABINET – 27 APRIL 2010**

**2009/10 FINANCIAL MONITORING**

**REPORT OF THE HEAD OF FINANCE**

### **1.0 PURPOSE**

To provide Members with the latest financial monitoring information for 2009/10 relating to: the revenue budget and capital programme, income collection, treasury management and the payment of supplier invoices. This will be the final monitoring for 2009/10 prior to the outturn position being reported in June.

### **2.0 RECOMMENDATIONS**

Members are asked:

#### **2.1 to note**

- i. Overall spend is projected to be within budget at year end which is after using £0.951m of the available contingency.
- ii. the further rise in the Children & Families service overspend.
- iii. The performance on Treasury Management and against targets for income and the payment of supplier invoices

#### **2.2 to approve the funding for the 2010/11 insurance renewals detailed in para. 6.2**

### **3.0 SUMMARY**

#### **3.1 Revenue**

Overall revenue spend is projecting to be within budget by year end. The cost of Looked After Children has increased again by £0.213m since the last report with an overspend of £2.029m currently being projected (which is after taking into account the £1.4m additional funding previously agreed). The overspend on Specialist Education remains at £0.525m. Further one-off funds have been identified which assist the overall position, however the underlying cost is a key pressure that is being closely monitored. Other pressures which have contributed to the overspend include: further income shortfalls at the Ice Rink; the Transforming Telford deficit; and lower than anticipated benefits from the Transport Service Review. An increased benefit has arisen from treasury where a further £0.100m is reported and council

tax/housing benefit subsidy with £0.112m reduced costs being reported.

### **3.2 Capital**

The 2009/10 approved capital programme is £70.1m; to date 51.8% spend has taken place and it is anticipated that this will rise to around 65% by year end which will require an element of slippage/re-phasing into 2010/11. The capital programme relies on a significant amount of capital receipts as part of its funding and the current monitoring highlights some delays and reductions against assumed sale prices starting to emerge.

### **3.3 Income Monitoring**

Council tax collection, NNDR collection and the level of outstanding sales ledger debt are all ahead of the month end targets.

### **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 93%. Service Delivery Units are asked to review processes so that performance is improved.

## **4.0 PREVIOUS MINUTES**

- 4.1 05/03/09 – Full Council, Service & Financial Planning Strategy
- 21/07/09 – Cabinet, Financial Performance Report
- 27/10/09 – Cabinet, 2009/10 Financial Monitoring Report
- 12/01/10 – Cabinet, 2009/10 Financial Monitoring Report



## **5.0 2009/10 REVENUE BUDGET**

- 5.1 Spend is currently projected to be within budget at year end which is after using £0.951m of the corporate contingency. Detailed variations for each Service Delivery Unit are shown in Appendix II. The table below summarises the overall position by Service Delivery Unit:


Service Delivery Unit	Projected Year End Variation - £m		
	Corporate	Service	Total
Safeguarding & Corporate Parenting	0.000	2.029	2.029
Learning & Achievement	0.000	0.662	0.662
Regeneration & Housing	0.000	-0.089	-0.089
CYP One Off Balances/Other Variances	0.000	-1.471	-1.471
Early Intervention	0.000	0.000	0.000
Property & Design	0.269	0.429	0.698
Economic Development	0.138	0.000	0.138
Environmental Services	0.583	-0.149	0.434
Planning & Transport	0.354	-0.180	0.174
Adult Social Care (Delivery)	0.000	0.064	0.064
Adult Social Care (Commissioning)	0.000	-0.250	-0.250
ASC Other Variances	0.000	-0.208	-0.208





Projected Year End Variation - £m			
Service Delivery Unit	Corporate	Service	Total
Community Protection	0.000	0.000	0.000
Customer & Leisure Services	0.048	-0.132	-0.084
Governance	-0.065	-0.108	-0.173
ICT & Procurement	0.000	0.002	0.002
Finance	0.029	-0.051	-0.022
Core Services	0.095	0.006	0.101
Council Wide	-1.054	0.000	-1.054
<b>Total</b>	<b>0.397</b>	<b>0.554</b>	<b>0.951</b>
Call on the Budgeted Contingency			-0.951
<b>Projected Year End Position</b>			<b>0</b>





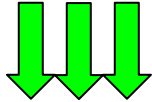






- 5.2** The projected service variations fall to Services to cover from their balances or offsetting areas of underspend under their control. Any service overspends not covered in 2009/10 will be a first call on new year budgets.
- 5.3** The larger projected variances (those over £100k) are highlighted separately below, while full detail on all variances over £50k are shown in Appendix II.





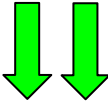


Key		
£0 to £100k	↑	 Underspend
£101+to £250k	↑↑	 Overspend
£251+to £500k	↑↑↑	
over £500k	↑↑↑↑	



## Variations

Service Delivery Unit	Projected Variation £m [change]	
<b><u>Safeguarding &amp; Corporate Parenting</u></b>		
The current projected overspend stands at £2.029m which is after the £1.4m virements from pay/general inflation benefits and treasury previously approved i.e. a gross overspend of £3.429m. This is an increase of £0.213m since the last report.	+2.029 [Increased Overspend]	
£1.198m of the overspend relates to <b>Looked</b>		

<p><b>After Children.</b> The current number of children in care is 266 which reflects around 29 additional placements above the average throughout last year. Five new placements entered the system in March.</p> <p>£0.931m of the overspend relates to Social Work and the additional cost of agency staff due to ongoing vacancy levels, increased numbers of assessments and care proceedings.</p> <p>This position may change dependent on future movement in placements and placement types, and with the impact of the placements strategy. Costs are subject to a robust monitoring system. The scale of the overspend is not out of line with that being faced by a number of other authorities reflecting a national pressure.</p>		
<p><b><u>Learning &amp; Achievement</u></b></p> <p><b>Specialist Education</b> – Pressure continues at previous levels with no change to the projected overspend.</p>	<p>+0.525 [No change]</p>	
<p><b>One off Balances and Other Variations across all CYP Service Delivery Units</b> – A total benefit of £1.471m has been identified towards the Service Delivery Unit overspends identified above. This is a combination of £1.103m flexible use of grant income and £0.368m from other underspends.</p>	<p>-1.471 [Increased benefit]</p>	
<p><b><u>Economic Development</u></b></p> <p><b>Transforming Telford</b> – forecast liability on balance sheet when the company ceases to trade on 31<sup>st</sup> March 2010.</p>	<p>+0.138 [Increased overspend]</p>	
<p><b><u>Property &amp; Design</u></b></p> <p><b>Asset &amp; Property Management</b> – projected shortfall in PIP rental income due to a high level of void properties and other PIP costs; an impact of the recession. The service is actively trying to increase occupancy levels</p>	<p>+0.969 [Increased Overspend]</p>	

<p>Use of one-off balances towards rental shortfall</p>	<p>-0.298 [increased benefit]</p>	
<p><b><u>Planning &amp; Transport</u></b></p>		
<p><b>Planning Fees</b> – shortfall in planning fees due to a downturn in the economy.</p>	<p>+0.300 [unchanged]</p>	
<p>Use of previous years trading surplus and vacancy management.</p>	<p>-0.200 [unchanged]</p>	
<p><b>Public Inquiries</b> – inquiry into the planning application for opencast mining in Lawley. There is a further inquiry highlighted relating to Granville Incinerator with legal costs of £0.074m falling in 2009/10; costs associated with any appeal will fall in 2010/11.</p>	<p>+0.354 [unchanged]</p>	
<p><b>Landfill costs</b> – benefits from increased recycling and diversion from landfill.</p>	<p>-0.280 [unchanged]</p>	
<p><b><u>Environmental Services</u></b></p>		
<p><b>Concessionary Travel</b> – benefit of £0.100m due to changes in demography (over and above the service review)</p>	<p>-0.100 [unchanged]</p>	
<p><b>Street Lighting energy costs</b> - £0.129m overspend</p>	<p>+0.129 [unchanged]</p>	
<p><b>Winter Maintenance</b> - £0.240m overspend arising from the adverse weather conditions</p>	<p>+0.240 [unchanged]</p>	
<p><b>Pot Hole Busting Campaign</b> – additional resources required to meet the 24-hour pledge to repair pot holes; to be funded from the corporate contingency approval.</p>	<p>+0.120 [increased overspend]</p>	
<p></p>	<p>-0.120</p>	
<p><b>Transport Service Review</b> – lower than anticipated savings from the review. There is potentially a £0.060m contribution from the RIEP which would reduce the overspend.</p>	<p>+0.220 [Increased shortfall]</p>	

<p><b><u>Adult Social Care (Delivery)</u></b></p> <p><b>Adults with Learning Disabilities</b> – 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 &amp; Care Management underspends, due to vacant posts which are included in the <i>Staff Savings</i> below.</p> <p><b>Physical and Sensory Disability</b> –the overspend has increased since the last report due to the review and withdrawal of continuing health care funding.</p> <p><b>Older People Services</b> – a benefit of £0.206m; a reduction on previously reported figures as the review and withdrawal of continuing health care funding.</p>	<p>+0.179 [Increased overspend]</p> <p>+0.111 [Increased overspend]</p> <p>-0.206 [Slightly reduced benefit]</p>	<p></p> <p></p> <p></p>
<p><b><u>Adult Social Care Commissioning</u></b></p> <p><b>Supporting People</b> – being used to offset pressures across Adult Social Care purchasing, detailed above.</p> <p><b>Various Staff savings</b> – underspends arising from vacancies in Social Worker posts, core support posts and part year effect of restructure carried out earlier in 2009/10. This has increased slightly on previously reported figures.</p>	<p>-0.250 [Increased benefit]</p> <p>-0.208 [Reduced benefit]</p>	<p></p> <p></p>
<p><b><u>Customer &amp; Leisure Services</u></b></p> <p><b>Telford Ice Rink</b> – shortfall of income due to the impact of the recession and a fall in attendance compared to last year.</p> <p><b>Leisure Centres</b> – net position across other leisure centres, including £0.039m benefit from Wellington Aspirations.</p>	<p>+0.159 [increased shortfall]</p> <p>-0.151 [reduced benefit]</p>	<p></p> <p></p>

<b>Treasury</b> – 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 £1.1m for 2009/10, after the £0.400m virement to Children & Families. More detail is included in para 8. Below.	-1.100 [increased benefit]	
<b>Coroner</b> – additional costs relating to inquests	+0.161 [increased overspend]	

## 6.0 **CONTINGENCIES**

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

	<b>£m</b>
General Revenue Contingency	0.596
Additional Contingency – one off only	1.000
	<b>1.596</b>
<u>2009/10 approved spend:</u>	
Princess Royal Hospital Campaign – one-off	0.040
One-Off investment to provide additional support and preventative work in Children & Families services in 2009/10. Ongoing investment is included in the 2010/11 budget strategy.	0.150
Rapid Response Team – One-Off investment to fund pilot, to accelerate repairs to roads following the adverse weather conditions.	0.235
<b>Total of 2009/10 Approvals</b>	<b>0.425</b>
Balance available	1.171
Revenue budget requirement	0.951
Balance available	0.220

- 6.2 The 2010/11 insurance renewal premiums have now been received and are higher than 2009/10 which is mainly due to increases in the salaries and wages bill and the value of sums insured. The impact on

the General Fund is £0.138m and it is proposed to fund this from the inflation/income provision built into the 2010/11 budget.

- 6.3** Following the exceptional period of adverse weather, the Department for Transport has announced that Council's will receive a specific grant in 2010/11 to repair damage caused to the highways network. The grant for Telford & Wrekin is £278,400. Conditions will be attached to the grant and each authority will have to submit a brief public statement on how the money is spent by 31<sup>st</sup> October 2010.

**7.0 2009/10 CAPITAL PROGRAMME**

The capital programme for 2009/10 totals £70.052M. Expenditure at the time of compiling this report was £36.3m and is shown by priority theme in the table below. The projected position at year end is £45.3m and therefore there will be slippage/rephrasing into 2010/11.

Priority Area	2009/10 Approved Budget £m	2009/10 Expenditure To Date £m	%	2009/10 Projected Expenditure £m
Adult Care & Support	1.504	0.398	26.5%	0.415
Active Lifestyles – Leisure & Culture	1.353	0.202	14.9%	0.250
Housing, Regeneration & Prosperity	25.059	8.353	33.3%	11.899
Children & Young People	20.179	13.262	65.7%	16.388
Environment & Rural Areas	12.303	8.293	67.4%	9.111
Community Protection & Cohesion	2.710	1.839	67.9%	1.889
An Efficient Community Focussed Council	6.944	3.958	57.0%	5.315
<b>Total</b>	<b>70.052</b>	<b>36.305</b>	<b>51.8%</b>	<b>45.267</b>

- 7.1** Capital receipts form a significant element of the funding of the Council's capital programme - Around £80m capital receipts are anticipated in 2009/10 and future years. Failure to achieve, or delays to, the receipts has potentially very significant financial implications for the council and the position is being closely monitored. Key issues highlighted relating to the current programme are:

- i Railfreight – Two £425k receipts due in 2009/10 have both been delayed one until 2010/11 and the other until 2011/12 with short-term borrowing costs of £0.018m in the current year, rising to £0.060m in 2010/11; a further receipt due in 2010/11 is also showing a £400k anticipated shortfall, and alternative receipts are being sought to cover this.
- ii Old Park School - £3.650m receipt due in 2011/12 is now deferred to 2013/14 resulting in short-term borrowing costs

of £0.082m in 2011/12, rising to £310k in 2012/13 (this has been included in the 2010/11 budget strategy)

- iii Uncommitted potential future receipts of £1.5m have been identified that will help to cover this shortfall when realised.

**7.2** The key areas which are projecting to be underspent are :

	Projected Underspend £m
Building Schools for the Future – delays due to ongoing negotiations with HCA and contract delays with Kier	2.70
<b>BTI</b> <ul style="list-style-type: none"> <li>• Dawley – slippage due to changing location of school through BSF programme impacting on project delivery plan</li> <li>• Newport – slippage due to changes required in programme as a result of public consultation and schemes still to be identified</li> <li>• Wellington - Programme re-profiled</li> <li>• Ironbridge – programme yet to be identified</li> <li>• Oakengates – programme yet to be identified</li> <li>• Hadley – slippage due to recent programme enhancement and subsequent delay in property acquisition</li> </ul>	5.63
<b>Regeneration</b> <ul style="list-style-type: none"> <li>• Sutton Hill / Woodside – delays resulting from the funding negotiation process with HCA impacting on the original programme phasing</li> </ul>	5.50
<b>Housing</b> <ul style="list-style-type: none"> <li>• The main slippage is against the original New Growth Point funding programme due to ensuring the funding was linked to the Local Investment Plan and the proposed launch for the Market Engagement Fund element.</li> </ul>	2.10
<b>Environment &amp; Rural Areas</b> <ul style="list-style-type: none"> <li>• Integrated Transport and Highways – consultation required on highways schemes which delayed the commencement of the programme of works.</li> <li>• Stoneyhill – the discovery of newts on the site delayed the start of the works</li> <li>• Play Areas and Parks – prolonged adverse weather has caused delays in the programme</li> </ul>	1.74

of works	
Social Care Capital grant – late notification received	0.37
Adult Social Care <ul style="list-style-type: none"> <li>Downing House – project complete, bar retentions, and showing £0.380m underspend.</li> </ul>	0.38

During 2010/11 detailed information relating to major projects will be provided to Cabinet members on a monthly basis at the Policy Forum.

## **TREASURY**

### 8.1 **TREASURY UPDATE**

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

	<b>31 March 2009</b>	<b>31 January 2010</b>
	<b>Principal £m</b>	<b>Principal £m</b>
Fixed Rate Borrowing	125.024	118.024
Variable Rate Borrowing	<u>64.099</u>	<u>7.531</u>
<b>Total Debt</b>	<b>189.123</b>	<b>125.555</b>
Investments - in-house	84.507	45.800
- with external managers	<u>58.397</u>	<u>39.488</u>
<b>Total Investments</b>	<b>142.904</b>	<b>85.288</b>
<b>Net Indebtedness</b>	<b>46.219</b>	<b>40.267</b>

### **Activities since 1<sup>st</sup> April 2009**

Base Rate has been held at 0.5% since the start of the year. Inflation had fallen, but has now increased significantly, with CPI currently standing at 3%, but it is expected to fall back again.

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 premia of £190,671. Under regulations discounts are taken to the revenue account over 10 years and premium 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 giving a short term saving which will mainly benefit 2009/10 but will also have benefits in later years.

Since the start of 2010 we have taken on additional long term borrowing. We have borrowed £5m from PWLB at 2.63% and a further £5m at 2.58%. We have also borrowed £5m in the form of a Libor LOBO, this is variable for the first 2 years and we are currently paying 0.64% and after 2 years it converts into a fixed rate loan of 4.24%.

We have had a number of investments mature during the first part of the year and these have been used to repay temporary borrowing. A review of Fund Managers has also been undertaken and the decision was taken to reduce the number of fund managers from 3 to 1 – in total just under £40m has been repaid which has been used to reduce temporary borrowing.

Overall our net indebtedness has fallen from £46.2m to £40.3m since the start of the year. This is expected to increase as we move towards year end.

Current projections show a benefit of £1.1m from treasury activities, which is after the £0.4m transferred to Children & Families. This has arisen mainly from a combination of the current low interest rates for short-term borrowing and the impact of cash flow.

## 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.

<b>Council Tax</b>	<b>2008/09 Outturn</b>	<b>97.7%</b>
	<b>2009/10 Target</b>	<b>97.2%</b>
	<b>2009 Debit</b>	<b>£57.6m</b>

First Year performance to the end of February is:

	Month End Target	Month End Actual	Feb 2009 Actual	Variance
The percentage of council tax collected	96.13%	96.23%	96.35%	Ahead of target

Extended instalments over 12 months instead of 10 have been offered to council taxpayers as a payment option; this has resulted in more monies being collected in February and March than in previous years.

**NNDR**

<b>2008/09 Outturn</b>	<b>98.3%</b>
<b>2009/10 Target</b>	<b>97.8%</b>
<b>2009 Debit</b>	<b>£64.5m</b>

First Year performance to the end of February is:

	Month End Target	Month End Actual	Feb 2009 Actual	Variance
The percentage of NNDR collected	96.38%	96.71%	96.41%	0.33% ahead of target

NNDR collection ahead of the month end target and ahead of the target this time last year. The Government announced that in order to help businesses they could defer 3% of their bill over the next 2 years and this has been deducted from the total debt figure; further 12 instalments instead of the standard 10 have been offered to businesses as a payment option.

**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 also around £24m p.a.

**Adult Social Care**

Outstanding Debt	Target %	Feb 2010		
		£'000	%	
2 – 6 months	0.9%	242	0.8%	Outside target
7 – 12 months	0.6%	74	0.4%	Inside target
> 12 months	1.1%	104	0.4%	Inside target
<b>Total</b>	<b>2.6%</b>	<b>420</b>	<b>1.6%</b>	<b>Inside target</b>

**Other Council Services**

Performance to the end of February is:

Percentage of Outstanding Sales Ledger Debt:	Target	Month End Actual	Variance
2 – 6 months	2.5%	2.09%	0.41% inside target
6-12 months	1.1%	1.36%	0.26% outside target
Over 12 months	1.3%	1.10%	0.2% inside target
<b>Total</b>	<b>4.9%</b>	<b>4.55%</b>	<b>0.35% inside target</b>

The position has significantly improved over the last few months with a particular focus on the 2-6 month category to prevent debt reaching the later stages.

## **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 to the end of January 2010 shows the Council overall achieving 93% which is behind the 95% target set. Service Delivery Units have been reminded to ensure invoices are processed promptly for the remainder of the year. A number of areas are identified where improvement is needed : Building & Cleaning; Children & Families; Development Plans & Sustainability; Estates & Investments; Extended Schools; Housing Services; Inclusion & Access; Leisure, Culture & Libraries; Older People & Disabilities; Mobility & Development; ICT.

## **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 – 01952 383100;

Pauline Harris, Corporate Finance Manager - 01952 383701