

TELFORD & WREKIN COUNCIL**CABINET – 26 JULY 2011****BUDGET & FINANCE SCRUTINY COMMITTEE – 27 JULY 2011****2011/12 FINANCIAL MONITORING REPORT****REPORT OF THE HEAD OF FINANCE****PART A) – SUMMARY REPORT****1.0 SUMMARY OF KEY ISSUES****1.1 2011/12 Revenue**

Revenue spending for the year is projecting to be within budget at year end.

Although within budget, the main pressures requiring close monitoring are:

- The cost of Adult Social Care purchasing which is projected to be up to £0.5m overspent even after offsetting additional NHS grants against the impact of the PCT's withdrawal of funding for some cases of continuing healthcare needs. Most of the cost of supporting those people then falls on the Council.
- The cost of Specialist Education – projected overspend of £0.482m which mainly relates to stated provision
- Income shortfalls – a projected shortfall of £0.5m, the majority relating to PIP rentals, planning fees and licensing fees
- Contractual Inflation – inflationary pressures totalling £0.595m have been identified

The cost of Looked After Children is projecting to be within budget, based on the current numbers and mix of placements. Benefits from active treasury management and the insurance renewal process are highlighted. We are clearly aware that the council will have an extremely challenging position for next year and it is essential that very tight control on spend is exercised during 2011/12.

1.2 Capital

The capital programme approved as part of the Service & Financial Planning Strategy for 2011/12 totals £105m and re-phasing of schemes from 2010/11 totalled £22.8m giving a total programme of £127.8m. Robust programme management and monitoring is in place to ensure schemes are delivered.

This report does not take in to account the changes proposed in the 100 day review of the Council's service and financial planning strategy

which are described in a report elsewhere on this agenda and which if approved will result in very significant revenue savings.

The capital programme funding includes around £80m of receipts anticipated to be delivered over the period 2011/12 to 2014/15. Failure to achieve, or delays to, the receipts will have financial implications for the Council and the position is being closely monitored and indications are that higher levels of receipts will be generated over the medium term than had been anticipated. Further information is provided in the Service & Financial Planning report on this agenda.

The Council has applied for a capitalisation direction which will allow one off severance costs associated with the delivery of ongoing savings to be spread over a number of years.

1.3 Corporate Income Collection

Collection levels for NNDR are ahead of target at the end of May; Council Tax collection is slightly behind target for May but ahead of performance at the same time last year; and sales ledger outstanding debt is outside target.

1.4 Creation of One-off benefit to be rolled forward into 2012/13

This report includes details of one-off benefits in the current year totalling £1.331m resulting from the New Homes Bonus grant which was announced after the budget for 2011/12 had been set, savings on insurance premia following a re-tendering exercise and treasury management benefits mainly resulting from slippage of expenditure from the previous financial year. It is proposed that these benefits should be rolled forward to create a one-off sum available to support the budget strategy for 2012/13. This figure will be increased by the further net revenue benefit in 2011/12 arising from any changes agreed to the capital programme following the consultation period on the 100 day review of the service and financial planning strategy.

1.5 Use of Contingency

After making provision for the rolling-forward of £1.331m underspends to create a one-off benefit to help support the budget for 2012/13 around £1.75m of the contingency is needed to balance the budget in the current year. This leaves more than £2m available in the contingency for the current financial year.

2.0 RECOMMENDATIONS

2.1 Members are asked to

- (i) Note that 2011/12 revenue spend is currently projecting to be within budget at year end**

- (ii) Approve the use of £0.595m of the contingency to meet contractual inflation pressures being experienced detailed in section 6.1
- (iii) Note that income collection is ahead of target for NNDR and slightly behind target for Sales Ledger outstanding debt and Council Tax
- (iv) Note that robust arrangements are in place to monitor the capital programme and capital receipts.
- (v) To roll forward £1.331m to help support the budget strategy for 2012/13.

3.0 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	Delivery of all priority objectives depend on the effective use of available resources. Regular financial monitoring helps to highlight variations from plan.
	No	
TARGET COMPLETION/DELIVERY DATE	To outturn within budget at 31/3/12	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	The financial impacts are detailed throughout the report.
LEGAL ISSUES	No	None directly arising from this report. The S151 Officer has a statutory duty to monitor income and expenditure and take action if overspends /shortfalls emerge.
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	
IMPACT ON SPECIFIC WARDS	No	<i>Borough Wide</i>

4.0 PREVIOUS MINUTES

03/03/11 – Full Council, Service & Financial Planning Strategy

PART B) – ADDITIONAL INFORMATION

5.0 2011/12 REVENUE BUDGET

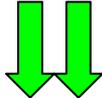
5.1 Spend is projected to be within budget at year end which includes use of £1.747m of the corporate contingency.

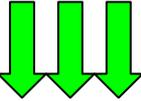
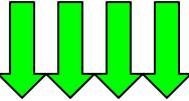
5.2 Variations of more than £0.100m are detailed in section 5.3 for each Service Delivery Unit. The overall 2011/12 budget position is summarised in the table below :

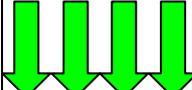
Service Delivery Unit	Accelerated Restructure Savings	Service	Total
	£	£	£
Safeguarding	0	268,524	268,524
School Improvement	0	481,999	481,999
Family & Community Services	(151,000)	(31,000)	(182,000)
Property & ICT	(19,974)	70,000	50,026
Economy & Skills	0	0	0
Environmental Services	(130,000)	(130,000)	(260,000)
Housing & Planning	0	225,000	225,000
Care & Support	0	500,000	500,000
Customer, Leisure & Libraries	(468,805)	(19,062)	(487,867)
Governance	(67,903)	(74,656)	(142,559)
Finance	(135,537)	(12,952)	(148,489)
Core Services	(414,937)	(130,398)	(545,335)
Council Wide	1,300,000	(643,680)	656,320
Total Projected Variation	(88,156)	503,775	415,619
Benefits to be rolled forward to 2012/13			1,331,000
Call on Corporate Contingency			(1,746,619)
Projected Year End Position			0

5.3 Projected variances over £0.100m are highlighted below.

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

Service Delivery Unit	Projected Variation £m	
<p><u>Safeguarding (Adults & Children)</u></p> <p>Children in Care – based on a total of 280 Children in Care (w.e. 24.6.11) and the current mix of placements spend is currently projecting to be within budget during the year. An additional £1.4m was invested in Looked After Children as part of the 2011/12 budget strategy.</p> <p>Agency Staff – overspend arising from the use of agency staff employed until the end of August to cover vacancies. The use of agency staff will be continually reviewed throughout the year.</p> <p>Support for Children in Need/Legal Costs and Assessments – payments made to promote the welfare of children in need. The actual cost is dependent on the type of cases that arise during the year.</p>	<p>-0.105</p> <p>+0.153</p> <p>+0.169</p>	<p></p> <p></p> <p></p>
<p><u>School Improvement</u></p> <p>Specialist Education – the majority of the overspend relates to stated provision, which reflects the costs of new statements and additional support hours. Costs in this area are volatile due to the constant updating of available information and the projection could reduce as the year progresses.</p> <p>School/Premature Retirement/Redundancy Costs – due to the need to reduce costs and mitigate the ongoing financial pressure on schools. Current projections are based on information from HR on likely numbers and will be updated as appropriate to take into account redeployment etc.</p> <p>DSG – underspent DSG from 2010/11 was carried forward to 2011/12 and any unallocated amounts could be used to offset the costs of Specialist Education Service provision.</p>	<p>+0.482m</p> <p>+0.200</p> <p>-0.200</p>	<p></p> <p></p> <p></p>

<p><u>Housing & Planning</u></p> <p>Planning – shortfall in planning fees due to the downturn in the economy.</p>	+0.150	
<p><u>Property & ICT</u></p> <p>PIP Properties – shortfall in rental and service charge income due to the high level of voids.</p> <p>Catering & Cleaning – various underspends on catering budgets.</p>	+0.250 -0.130	 
<p><u>Economy & Skills</u></p> <p>Economic Development – loss of grant funding for Education Business Partnership</p> <p>Mitigating action, including increased fees to offset grant reduction</p>	+0.257 -0.257	 
<p><u>Environmental Services</u></p> <p>Extreme Weather Grant – one off grant from the Department of Transport</p> <p>Highways Improvement Works – increased activity funded by Extreme Weather Grant</p>	-0.644 +0.644	 
<p><u>Care & Support</u></p> <p>Purchasing budgets – as anticipated the significant upward trend from 2010/11 continues in 2011/12. The reported overspend is against a gross purchasing budget of £29.2m across all client groups, including residential care, home care, day care and adult placements. The pressure is exacerbated by the withdrawal of funding by the PCT from clients previously receiving NHS funding due to their ongoing primary health need. These costs are now falling either on the individual or in most cases on Council budgets. This projection is over and above costs impacting and funded ongoing in previous years and reflects the full year impact of clients</p>	+2.500	

<p>reassessed by the PCT in 2010/11 and those reassessed in 2011/12. The position is being kept under close review and continues to be raised and discussed with the PCT.</p> <p>NHS Funding – a mix of additional one off and ongoing funding from the Government and PCT to fund Local Authority Social Care, and having to be deployed against displaced PCT spending.</p>	-2.000	
Core Services – staff savings	-0.130	
Contractual Inflation - pressures due to the high level of inflation and contractual obligations – it is proposed that this is met from the corporate contingency (see para 6.1)	+0.595m	
<u>Items to be Rolled Forward to 2012/13 to create one off benefit</u>		
Treasury – benefits from the re-phasing of schemes from 2010/11 to 2011/12 and the impact of new investments taken early in the year	-0.466m	
Insurance – reduced cost of insurance renewals for 2011/12 – this figure may alter as work is underway to confirm the split between schools and the rest of the Council	-0.250m	
New Homes Bonus - Unringfenced grant	-0.615m	
<u>Total Rolled Forward to 2012/13</u>	1.331m	

5.4 The 2011/12 budget includes £1.3m benefit from accelerated staff savings which has been achieved.

6.0 CONTINGENCIES

- 6.1 The 2011/12 budget includes combined contingencies of £3.768m, which are set aside to meet any unforeseen expenditure. There are currently no approved uses of the contingency. However inflation has steadily increased over the past few months and RPI now stands at 5.2% and there is a request to release an element of the inflation contingency to meet the contractual inflation pressure being experienced.

	£m
General Revenue Contingency	1.596
Income/Contract Inflation Contingency	1.072
Additional One Off Contingency (held in reserves)	1.100
Total Contingency	3.768
Proposed Use – recommended for approval in this report:	
Contractual Inflation	0.595
In Year Use to Offset Variations	1.152
Balance remaining in Contingencies	2.021

7.0 CAPITAL

7.1 2011/12 Capital Programme

The capital programme approved as part of the Service & Financial Planning Strategy for 2011/12 totals £105m. Re-phasing of schemes from 2010/11 totalled £22.8m which was approved at Full Council on the 23 June 2011. Robust programme management and monitoring is in place.

- 7.2 The capital programme funding includes around £80m of receipts anticipated to be delivered over the period 2011/12 to 2014/15. Failure to achieve, or delays to, the receipts will have financial implications for the Council and the position is being closely monitored.

7.3 Capitalisation Direction

Nationally, the Government has made £300m available for capitalisation directions (i.e. not grants) to support Local Authorities who are making efficiency savings through organisational restructuring.

The Council's medium term financial strategy relies on the delivery of 20% savings from the planned restructure programme which is underway and has applied for a capitalisation direction, totalling £2.940m, from the Secretary of State to cover **statutory** redundancy costs incurred in 2011/12. The effect of this would be that the costs which would normally be treated as revenue spend could be funded from borrowing or from capital receipts instead, which would potentially spread the cost over a number of years.

In 2010/11 the total amount of capitalisation applied for nationally was significantly higher than the total available and authorities who bid for statutory redundancy costs only received around 38% of the amount they requested. It is very likely that a scaling factor will also be applied in the 2011/12 round.

Notification has been received that the application has passed the initial “gate 1” test – confirmation of the amount of capitalisation being granted will be announced at some point during July. The approval to capitalise statutory redundancy costs will lead to additional borrowing costs which will be built into future monitoring reports once confirmation of the direction is received. An indication of the cost of borrowing £2.940m is £0.079m in 11/12 and £0.232m ongoing.

8.0 REVIEW OF 2011/12 BUDGET STRATEGY

8.1 Following the Borough elections and subsequent Annual Council in May 2011, the new administration committed, as one of its first priorities, to carry out a high level review of the Council’s Service & Financial Planning Strategy for 2011/12 within 100 days.

8.2 Proposals to revise the 2011/12 Budget Strategy are detailed in a separate report also being presented to Cabinet on the 26 July 2011. This includes a review of the capital programme. The implications of these proposals will be incorporated into the overall financial monitoring once approved.

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 to achieve targets that have been set and so that remedial action can be taken at a very early stage. The three main areas are Council Tax, NNDR (business rates) and Sales Ledger. Current monitoring information relating to these is provided below. The Council pursues outstanding debt vigorously, until all possible recovery avenues have been exhausted, but also prudently provides for bad debts in its accounts.

9.2 In summary, the overall position shows collection levels for NNDR ahead of target at the end of May; Council Tax collection was slightly behind the target, but ahead of performance at the same time last year and Sales Ledger debt is also behind target.

INCOME COLLECTION – MAY 2011			
	Actual	Target	Performance
Collection Levels:			
Council Tax Collection	20.08%	20.19%	0.11% Outside Target
NNDR Collection	24.24%	22.73%	1.51% Ahead of Target
Debt Levels:			
Sales Ledger	4.82%	4.50%	0.32% Outside Target

9.3 Council Tax (£59.2m)

The percentage of the current year liability for council tax which the authority should have received during the year, as a percentage of annual collectable debit. The measure does not take account of debt that continues to be pursued and collected after the end of the financial year in which it became due. The final collection figure for all financial years exceeds 99%.

Year end performance 2010/11	98.0%
Year End Target for 2011/12	98.0%

Performance is cumulative during the year and expressed against the complete year's debit. Performance to the end of May is behind the target set for this year but ahead of performance at the same time last year:

Month End Target	Month End Actual	Last year Actual
20.19%	20.08%	19.87%

9.4 NNDR-Business Rates (£66m)

The % of business rates for 2011/12 that should have been collected during the year. This target, as for council tax, ignores our continuing collection of earlier years' liabilities.

The measure does not take into account the debt that continues to be pursued and collected after the end of the financial year in which it became due. As a general rule the final collection figure for any financial year exceeds 99%.

Year end performance 2010/11	99.1%
Year End Target for 2011/12	99.1%

Performance at the end of May is ahead of the month end target and performance at the same time last year.

Month End Target	Month End Actual	Last year Actual
22.73%	24.24%	23.84%

9.5 Sales Ledger (£43.6mm)

This includes general debt and Social Care debt. Debt below 2 months is classified as a normal credit period.

The target percent are set relating cumulative debt outstanding from all years to the current annual debit. The current targets and performance of income collection are as follows:

Age of debt	Annual Target %	May 2011	
		£m	%
Total	4.50	2.10	4.82

Overall outstanding Sales Ledger debt is outside target by 0.32%.

10.0 **BACKGROUND PAPERS**

2011/12 Budget Strategy / Financial Ledger reports

Report Prepared by: Ken Clarke, Head of Finance – 01952 383100;
Pauline Harris, Corporate Finance Manager – 01952 383701

