

TELFORD & WREKIN COUNCIL

**CABINET – 28 JUNE 2012
COUNCIL – 12 JULY 2012**

SERVICE & FINANCIAL PLANNING REPORT – 2011/12 OUTTURN

**REPORT OF THE ASSISTANT DIRECTOR: FINANCE, AUDIT &
INFORMATION GOVERNANCE (C.F.O.)**

LEAD CABINET MEMBER – CLLR BILL McCLEMENTS

PART A) – SUMMARY REPORT

1.0 SUMMARY OF KEY ISSUES

1.1 2011/12 Financial Outturn

The gross revenue budget for 2011/12 was £409m and the net budget for reporting purposes just over £129m. The revenue outturn position is within budget with a final net underspend of £1.8m (-1.42% of net budget).

It has been a very challenging year with government grant funding being cut by £13.6m and the major programme of restructuring and services reviews, which began in 2010, continuing across all Council services to deliver the level of savings required. The outlook promises to be equally difficult with local government facing a period of significant pressure on resources and increasing demands on services due to the recession. Given this context it is a particularly positive year end position which demonstrates the stringent financial management in place throughout the year and the efforts of employees across the Council to make efficiency savings wherever possible and to deliver planned savings as early as possible. Within the overall position provision has also been made for the £2.1m required as part of the 2012/13 budget strategy and to create an Invest to Save fund totalling £1m (including £0.5m approved at Cabinet in February) which will assist with the delivery of future savings.

The main pressures experienced during 2011/12 were :

- The cost of Adult Social Care purchasing - a net overspend of £0.993m which is after offsetting other funding available from vacancies and one off reserves and additional NHS grants against the impact of the PCT's withdrawal of funding for some cases of continuing healthcare needs and the use of one off balances available in 2011/12. Most of the cost of supporting these people then falls on the Council. It also takes into account the £0.490m one off winter pressure funds announced by the Government in early January.

- The cost of Children in Care – an overspend of £1.5m relating to both placements and the use of agency workers
- The cost of Specialist Education – an overspend of £0.664m relating to stated provision
- Income shortfalls – a shortfall of £1.9m, the majority relating to PIP rentals, planning fees, building control fees and school meals income.

There are benefits from restructure savings, vacant posts, concessionary transport, treasury management and New Homes Bonus (unringfenced grant).

1.2 Capital

Capital spend ended the year at £71m against an approved estimate of £84m which was in the main due to re-phasing into 2012/13.

1.3 Income Monitoring

Council Tax (£59m), business Rates (£65m) and sales ledger income collection (£35m) were slightly behind target for the year.

1.4 General

The draft formal statement of accounts will be available in July as KPMG begin the external audit and will also be available for public inspection for 20 working days from 2 July over the same period.

- 1.5** Summaries of the outturn on revenue and capital along with major variations are shown as appendices.

2.0 RECOMMENDATIONS

2.1 In relation to the 2011/12 Financial Outturn, Members are asked to approve the following recommendations which will go forward to Full Council for approval:

- (i) The Revenue outturn position and related virements in Appendix III for 2011/12 which is subject to audit by the Council's external auditors. This includes the following transfers into provisions and reserves: £2.145m to support the 12/13 budget strategy; £1m to create an Invest to Save Fund (including the £0.5m approved in February's financial monitoring); £0.330m to support Council Wide Capacity/Training; £1.5m to fund severance costs associated with the delivery of ongoing revenue savings; £0.400m to address Environmental issues.
- (ii) Authority to approve bids against the Capacity and Environmental works reserves be delegated to the Managing Director after consultation with the Cabinet Member for Resources and Service Delivery.

(iii) **Approve the Capital outturn position and related supplementary estimates, virements and re-phasing shown in Appendix IV as summarised in the report.**

(iv) **Note performance against income targets**

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. Financial management ensures best use of resources.
TARGET COMPLETION/DELIVERY DATE	Outturn forms the basis of the formal statement of accounts which are audited during July and will be published by the end of September.	
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. There is a requirement to publish the Statement of Accounts by the end of September.
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	
IMPACT ON SPECIFIC WARDS	No	Borough Wide

4.0 PREVIOUS MINUTES

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

26/7/11 – Cabinet, 2011/12 Financial Monitoring

20/10/11 – Cabinet, 2011/12 Financial Monitoring

24/11/11– Council, 2011/12 Financial Monitoring

22/12/11 – Cabinet, 2011/12 Financial Monitoring

23/2/12 – Cabinet, 2011/12 Financial Monitoring

PART B) – ADDITIONAL INFORMATION

5.0 2011/12 REVENUE BUDGET

5.1 The Council had a gross revenue budget of £409m for 2011/12 and the final net revenue outturn position is as follows (a summary is provided in Appendix I):

	£m
Net Budget	129.452
Net Expenditure	127.609
Net Underspend	-1.843
Percentage Net Variance	-1.42

5.2 Variations by Service Delivery Unit are summarised below and further detail is provided in Appendix II.

Service Area	Budget	Outturn	Variance
	£	£	£
Safeguarding	17,961,780	19,602,997	1,641,217
School Improvement	4,889,410	7,950,582	3,061,172
Family & Community Services	15,574,260	13,703,142	(1,871,118)
DSG	0	281,931	281,931
Property & ICT	(3,870,190)	(3,075,954)	794,236
Economy & Skills	3,044,650	2,884,352	(160,298)
Environmental Services	27,606,760	26,651,511	(955,249)
Housing & Planning	5,017,740	4,879,184	(138,556)
Care & Support	43,808,166	44,801,584	993,418
Customer, Leisure & Libraries	8,939,090	8,046,820	(892,270)
Governance	679,350	285,179	(394,171)
Finance	0	(424,770)	(424,770)
Core Services	1,175,590	805,603	(369,987)
Council Wide	4,625,334	(4,158,082)	(8,783,416)
Total Projected Variation	129,451,940	122,234,079	(7,217,861)
Required for 2012/13 budget strategy - Approved at Full Council in March 2012		2,145,000	2,145,000
Creation of Invest to Save Fund - £0.5m approved at Cabinet in February 2012		1,000,000	1,000,000
Creation of Council Wide Environmental Fund		400,000	400,000
Transfer to Council Wide Capacity/Training Fund (Total Fund £698k in 12/13)		330,000	330,000
Transfer to Severance Fund		1,500,000	1,500,000
Projected Year End Position	129,451,940	127,609,079	(1,842,861)

Notes: the above figures are before pensions accounting entries (IAS 19) and impairment costs which will be finalised for the production of the Statement of Accounts – these are technical entries which are reversed out in the Income &

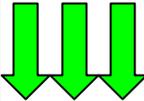
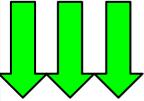
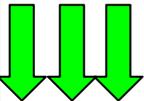
Expenditure Account and do not impact on the overall outturn position shown above. DSG represents the net adjustment to General fund to carry forward unspent DSG to 12/13.

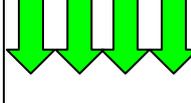
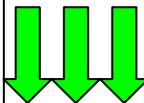
5.3 The position includes the following transfers into provisions and reserves: £2.145m to support the 12/13 budget strategy; £1m to create an Invest to Save Fund; £0.330m to support Council Wide Capacity/Training; £1.5m to fund severance costs associated with the delivery of ongoing revenue savings; £0.400m to address Environmental issues.

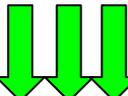
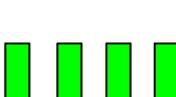
5.4 Variances over £0.100m are highlighted below.

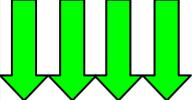
Key		
£0 to £100k	↑ ●	Underspend
£101+to £250k	↑↑ ●	Overspend
£251+to £500k	↑↑↑	
over £500k	↑↑↑↑	

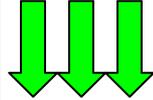
Service Delivery Unit	Actual Variation £m	
<p><u>Safeguarding</u></p> <p>Children in Care – there were 302 children in care at the end of the year. The overspend is after taking into account the additional £1.4m invested in Looked After Children as part of the 11/12 budget strategy.</p> <p>Agency Staff – overspend arising from the use of agency staff to cover vacancies during the year; the position is net of the savings arising from the vacant posts being covered.</p>	+1.062	↑↑↑↑
	+0.462	↑↑↑
<p><u>School Improvement</u></p> <p>School/Premature Retirement/Redundancy Costs – overspend arising from approved schools' redundancies due to the need to reduce costs and mitigate the ongoing financial pressure on schools.</p> <p>Schools Multicultural Development Service/ Alternative Education Provision and Behavioural Partnership – saving arising</p>	+0.294	↑↑↑
	-0.343	↓↓↓

Service Delivery Unit	Actual Variation £m	
<p>from posts being held vacant pending restructure.</p> <p>School Improvement – savings arising from restructures implemented earlier than budgeted.</p> <p>Delegated Schools Budgets – underspend resulting from the change in admission policy for early year children under 5 for the maintained sector.</p> <p>Standard Fund Allocation – flexible use of standards fund grant applied in 2011/12.</p>	<p>-0.420</p> <p>-0.264</p> <p>-0.463</p>	<p></p> <p></p> <p></p>
<p><u>Family & Community Services</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 required during the year.</p> <p>Specialist Education – the overspend is a combination of a shortfall in recoupment income as fewer pupils are placed within T&W schools and the cost of pupils placed outside Telford & Wrekin i.e. in other Local Authority schools.</p> <p>Nursery Provision – the effect of single point of admission to Early Years settings.</p> <p>Restructure Savings – savings arising from restructures delivered earlier than budgeted.</p> <p>Employees – reduced expenditure across a number of service delivery units due to vacancies being held pending finalisation of restructures.</p> <p>Transport – savings resulting from a number of operational efficiencies and demographic changes.</p>	<p>+0.260</p> <p>+0.404</p> <p>-0.261</p> <p>-0.669</p> <p>-0.901</p> <p>-0.323</p>	<p></p> <p></p> <p></p> <p></p> <p></p> <p></p>

Service Delivery Unit	Actual Variation £m	
<p>DSG – the impact of single point of admission for Nursery age children affects both the maintained and independent sectors. The underspend against these budgets (included in Family & Community and School Improvement above) will be carried forward as unspent DSG and re-invested in the schools budget. The £282k is the net adjustment to the General Fund required to carry forward the correct amount of DSG.</p>	+0.282	
<p>Property & ICT</p> <p>PIP Properties – shortfall in rental and service charge income due to the higher level of voids in the current economic climate.</p> <p>Catering – shortfall of income received from paid meals</p> <p>Property & Design – underachievement of fee income; the target will be reviewed in 2012/13.</p> <p>Employees – reduced expenditure arising from vacancies due to restructures.</p> <p>ICT – shortfall in income from schools and council project work relating to a change in policy on internal charging</p> <p>ICT – capitalisation of project related capital costs to mitigate the fee income shortfall above.</p>	<p>+0.199</p> <p>+0.160</p> <p>+0.388</p> <p>-1.164</p> <p>+0.747</p> <p>-0.350</p>	<p>       </p>
<p>Housing & Planning</p> <p>Employees - reduced expenditure arising from vacancies and restructures</p> <p>Planning – shortfall in planning fees due to the downturn in the economy.</p> <p>Building Control – shortfall in fee income</p>	<p>-0.726</p> <p>+0.199</p> <p>+0.188</p>	<p>    </p>

Service Delivery Unit	Actual Variation £m	
<p>Temporary Accommodation – loss of housing benefit due to drop in demand of temporary accommodation</p>	+0.216	
<p>Temporary Accommodation – savings in leasehold rents on temporary accommodation.</p>	-0.161	
<u>Economy & Skills</u>		
<p>Employees – savings from vacancies and restructures</p>	-0.382	
<p>Railfreight – cost of interim management arrangements.</p>	+0.110	
<u>Environmental Services</u>		
<p>Concessionary Transport – net benefit arising from the change in methodology in the scheme administration.</p>	-0.324	
<p>Highways & Transport – New ways of working project (total place) relating to up front enhancement and maintenance of road infrastructure enabling efficiencies in future years</p>	+0.177	
<p>Winter Maintenance – costs in excess of available budget</p>	+0.151	
<p>TWS Staff Oncosts – increased costs due to change in methodology used by Shropshire Pension Fund</p>	+0.112	
<p>Waste Enforcement – replacement costs for refuse and recycling containers across the borough.</p>	+0.218	
<p>Employees - savings from posts held vacant due to restructures</p>	-0.802	

Service Delivery Unit	Actual Variation £m	
<p><u>Care & Support</u></p> <p>Purchasing budgets - the reported overspend is against a gross purchasing budget of £33.8m across all client groups, including residential care, home care, day care and adult placements. The pressure has mainly arisen from 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 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 discussed with the PCT. The overall position takes into account the use of one-off monies available in 2011/12.</p> <p>Loss of internal services income due to PCT review of CHC clients.</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> <p>Winter Pressures Funds – one off funds in recognition of the care pressures experienced during the winter period; given to the PCT and transferred to Local Authorities to support Social Care Services.</p> <p>Other funding available to offset the purchasing overspend including vacancies and the use of one off reserves</p>	<p>+4.749</p> <p>+0.475</p> <p>-2.108</p> <p>-0.490</p> <p>-2.040</p>	<p></p> <p></p> <p></p> <p></p> <p></p>
<p><u>Customer & Leisure Services</u></p> <p>Restructure savings – employee savings arising from restructures across the whole service area.</p>	<p>-0.911</p>	<p></p>

Service Delivery Unit	Actual Variation £m	
Finance – employee savings arising from the service restructure	-0.318	
Governance – employee savings arising from the service restructure	-0.101	
Core Services – employee savings arising from the service restructure	-0.187	
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, together with the impact of the 100 day budget and changes to the investment portfolio	-0.496m	
New Homes Bonus - Unringfenced grant	-0.741m	
Accelerated Non-Staff Savings – 2012/13 savings proposals delivered early in 2011/12.	-0.576	

6.0 **RESERVES & BALANCES**

6.1 The main General and Special Fund balances were £3.686m at 31st March 2012. Subsequent to closedown the full risk based evaluation of all balances will be undertaken to determine an updated view of balances available for the budget strategy.

6.2 The position on the main General and Special Fund Balances is:

	£m
Balances at 1 st April 2011	3.263
Contribution to General Fund Balances	0.423
Balances at 31st March 2012	3.686

The General/Special Fund balance forms part of the Council's overall reserves and balances.

- 6.3 As agreed at Full Council in March 2012, £2.145m funds have been carried forward as part of the 2012/13 budget strategy.
- 6.4 Following a detailed review, it is proposed that the following transfers to reserves are approved:
- (i) **Council Wide Environmental Fund:** £0.400m; resources to meet a range of environmental issues across the borough, such as pot-holes and fly-tipping.
 - (ii) **Council Wide Capacity/Training Fund :** £0.330m (together with other available reserves this gives a total of £0.698m to invest in capacity/training); to provide capacity in the Council, to support major projects and deliver savings, together with training as part of the Corporate Training Programme.
 - (iii) **Severance Fund :** £1.5m; to meet one-off costs associated with the Council restructure programme which is delivering ongoing savings of over £9.6m in 12/13.
 - (iv) **Invest to Save Fund :** £1m to create an Invest to Save Fund which will be used to support projects to deliver future savings (note £0.5m of this was approved by Cabinet in February)
- 6.5 Transfers to reserves and balances are included in the overall financial outturn position shown. Another review of reserves and balances will be undertaken over the Summer.

7.0 2011/12 CAPITAL PROGRAMME

- 7.1 The capital programme for 2011/12 was £84.2m; spend at year end was £71.7m giving a year end variation of £12.6m which is summarised in the table below:

Priority	Budget		Spend		Variance
	£m		£m	%	£m
Adult Care & Support	1.270		0.558	44	-0.712
Active Lifestyles	0.738		0.640	87	-0.098
Community Protection & Cohesion	1.938		1.751	90	-0.187
Children & Young People	40.341		28.529	71	-11.812
Housing, Regeneration & Prosperity	24.958		23.318	93	-1.640
Efficient, Community Focussed Council	4.778		4.394	91	-0.384
Environment	10.246		12.478	122	+2.232
Total	84.269		71.668	85	-12.601

7.2 The main scheme delays/re-phasing to 2012/13 are shown below with detail included in Appendix IV.

	£m
<ul style="list-style-type: none"> • Children & Young People - Building Schools for the Future: programme delays resulting in re-phasing to 12/13 	9.342
<ul style="list-style-type: none"> • Children & Young People – Schools: various schemes which will be re-phased into 12/13 including St Georges Primary extension, Muxton Primary extension, Teagues Bridge Primary extension. 	2.470
<ul style="list-style-type: none"> • Adult Care & Support - Social Care ICT Review: review commenced later than anticipated and plans have been updated which has resulted in re-phasing 	0.588
<ul style="list-style-type: none"> • Parks & Play Areas – re-phasing due to consultation activities 	0.228
<ul style="list-style-type: none"> • Environment - Highways Maintenance: a combination of: the A442 drainage scheme being delayed due to traffic management implications; a review of the column replacement programme (due to be completed in July 2012); the need for road closures for other small scale maintenance schemes; and other minor schemes 	0.518
<ul style="list-style-type: none"> • Environment – Transport: a combination of: DfT grant funding received late in 11/12 and therefore being slipped to 12/13; consultation ongoing on a number of projects; work on illuminated signs and bollards on roundabouts which will be combined with resurfacing work in 12/13; other minor schemes. 	0.372
<ul style="list-style-type: none"> • Environment – Property Investment Portfolio: acquisitions under delegated authority (covered by new approval requests in this report) 	-3.460
<ul style="list-style-type: none"> • Housing, Regeneration & Prosperity: market engagement fund and housing strategy – schemes progressing through legal process 	1.173

- Housing, Regeneration & Prosperity - Sutton Hill: re-phased to 12/13 0.368
- Housing, Regeneration & Prosperity - Town Centre: spend profile updated in line with current plans; the overall project is within budget. -0.953

7.3 There are a number of new approvals and virements which are also detailed in Appendix IV and require formal approval.

7.4 The funding for the capital programme in 2011/12 included £2.683m estimated income from capital receipts . The actual income received in year was lower at £1.214m which was attributable in the main to the Council's share of the receipt from the sale of West Mercia Supplies completing in 2012/13 and not 2011/12 as anticipated.

8.0 CORPORATE INCOME MONITORING

8.1 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. The Council pursues outstanding debt vigorously, until all possible recovery avenues have been exhausted, but also prudently provides for bad debts in its accounts.

8.2 In Summary, the overall position shows collection of NNDR and Council Tax collection Sales Ledger debt behind the target set for the year.

INCOME COLLECTION – 2011/12 YEAR END			
	Actual	Target	Performance
Collection Levels:			
Council Tax Collection	97.8%	98.0%	0.2% Outside Target
NNDR Collection	98.3%	99.1%	0.8% Outside Target
Debt Levels:			
Sales Ledger	6.39%	4.50%	1.89% outside target

8.3 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.

Year End Target	Year End Actual	Last year Actual
98.0%	97.8%	98.0%

The actual percentage collection for 2011/12 equates to payments received of £57,972,012 against a gross liability of £59,204,111. Performance is below target and behind performance in 2010/11. The benefits case load has exceeded 20,000 live cases for the first time which is a reflection of the current financial climate. This is an indication of the impact of the economic climate on the citizens of the borough and that people within the area are genuinely struggling to pay their bills.

8.4 **NNDR-Business Rates (£64.8m)**

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%

Year End Target	Year End Actual	Last year Actual
99.1%	98.3%	99.1%

The actual percentage collection for 2011/12 equates to payments received of £63,616,766 against a gross liability of £64,828,803. Performance is below target and behind performance in 2010/11. Benchmarking with other local authorities shows that this follows a national trend, with most authorities experiencing an average one percent decrease in performance from this time last year.

8.5 Sales Ledger (£34.9m)

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

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

Age of debt	Annual Target %	March 2012	
		£m	%
Total	4.50	2.23	6.39

There is £2,230,038 outstanding which is older than 2 months, which is 6.39% of the rolling debt figure. Performance is outside target on all debt categories, however there are plans in place to reduce the debt outstanding over the coming months.

9.0 **BACKGROUND PAPERS**

2011/12 Budget Strategy and Financial Ledger reports
2012/13 Budget Strategy

Report Prepared by:

Ken Clarke, Assistant Director: Finance, Audit & Information Governance – 01952 383100; Pauline Harris, Corporate Finance Manager – 01952 383701