

**TELFORD & WREKIN COUNCIL**

**COUNCIL – 11 JULY 2013**

**SERVICE & FINANCIAL PLANNING REPORT – 2012/13 OUTTURN AND  
2013/14 UPDATE**

**REPORT OF THE ASSISTANT DIRECTOR: FINANCE, AUDIT &  
INFORMATION GOVERNANCE (CHIEF FINANCIAL OFFICER.)**

**LEAD CABINET MEMBER – CLLR BILL McCLEMENTS**

**PART A) – SUMMARY REPORT**

**1.0 SUMMARY OF KEY ISSUES**

**1.1 2012/13 Financial Outturn**

The gross revenue budget for 2012/13 was £411m and the net budget for reporting purposes just over £126m. The revenue outturn position is within budget with a final net underspend of £0.06m (-0.04% of net budget).

Given the context of the Council having to make £19m of budget savings in 2012/13 it is a particularly positive year end position which demonstrates both strong and effective financial management and the ability of Service managers to drive out efficiencies. Within the overall position, provision has also been made to create the £2.5m one-off budget contingency for 2013/14 as approved as part of the Service & Financial Planning Strategy at Council in March 2013.

There were a number of favourable variations during the year which contributed to the overall final position being within budget. These included:

- Pro-active management of employee budgets during the year has given rise to savings totalling £2.1m relating to vacant posts, many linked to service restructures. The majority of these savings are not ongoing as restructures have contributed to the 2013/14 savings package and budgets have therefore been reduced
- A benefit of £0.9m arising from treasury management activities
- Savings arising from reduced fleet/transport costs across a number of services totalling £0.6m
- The budgeted contingency had a balance of £1.7m remaining at year end.

The main pressures experienced during 2012/13 were:

- The cost of Adult Care & Support Services - the majority of the overspend relates to the PCT's withdrawal of funding for some clients with health care needs and the cost to the Council of providing support. The cost of purchasing care packages was £5.5m overspent at year end. This was part-mitigated by one-off funding from the NHS totalling £4.7m towards the overall cost shift of £8.5m pa NHS ongoing costs against which the Council has already allocated £3m budget from its savings programme. The net shortfall of £0.8m on care packages plus other one-off funding and service underspends resulted in a small overspend of £0.014m at year end. The issue of Continuing Health Care costs is an ongoing problem and discussions are underway with the Clinical Commissioning Group about the funding position.
- The cost of Children in Care Placements – an overspend of £2.7m relating to both placements and the use of agency staff. Safeguarding and Family & Cohesion Services have a robust cost improvement plan designed to bring spend back in line with budgets. Further information is included in section 5.3
- The cost of Specialist Education – an overspend of £0.792m relating to stated provision
- Winter maintenance costs have exceeded budget by £0.324m due to the adverse weather conditions experienced. This budget has been increased by £0.15m as part of the 2013/14 budget strategy.
- Income – a shortfall of £1.7m, relating to a number of services including PIP rentals, building control fees, planning fees, licensing fees, Adult Social Care client contributions and school meals income due to historical targets which have become unrealistic in the current economic climate. A strategic review of income budgets was undertaken as part of the Service & Financial Planning process and income budgets have been adjusted to reflect a more realistic position, as appropriate, for 2013/14.

## **1.2 Capital**

Capital spend ended the year at £62.8m against an approved estimate of £79.7m which was in the main due to re-phasing into 2013/14.

## **1.3 Income Monitoring**

Council Tax (£61m), business Rates (£69m) and sales ledger income collection (£37m) were all slightly behind target for the year however this is in line with the national trend and reflect the current economic climate. The Revenues Team are trialling a number of new and innovative ways to collect debt which is being closely monitored for impact on collection rates

## **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 1 July.

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

**1.6** **2013/14 Update**

The Council faces a very challenging year in 2013/14 and a number of key issues are already highlighted in this first high level review of the budget position. Once the final accounts are completed more detailed new year monitoring will take place and a further, more detailed, report will be brought to a future meeting of the Cabinet with an updated position.

**2.0** **RECOMMENDATIONS**

**2.1** In relation to the 2012/13 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 3 for 2012/13 which is subject to audit by the Council's external auditors; also, the transfer to reserves detailed in 6.4.
- (ii) Approve the Capital outturn position and related supplementary estimates, virements and re-phasing shown in Appendix 4 as summarised in the report.
- (iii) Note performance against income targets
- (iv) Note the initial pressure areas identified for 2013/14

**3.0** **SUMMARY IMPACT ASSESSMENT**

<b>COMMUNITY IMPACT</b>	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.
<b>TARGET COMPLETION/DELIVERY DATE</b>	Outturn forms the basis of the formal statement of accounts which are audited during July and will be published by the end of September.	
<b>FINANCIAL/VALUE FOR MONEY IMPACT</b>	Yes	The financial impacts are detailed throughout the report.
<b>LEGAL ISSUES</b>	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.
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>	No	
<b>IMPACT ON SPECIFIC WARDS</b>	No	Borough Wide

#### **4.0 PREVIOUS MINUTES**

01/03/12 – Full Council, Service & Financial Planning Strategy  
26/07/12 – Cabinet, Financial Monitoring Report  
13/09/12 – Full Council, Financial Monitoring Report  
18/10/12 – Cabinet, Financial Monitoring Report  
22/11/12 – Full Council, Financial Monitoring Report  
10/01/13 – Cabinet, Financial Monitoring Report  
24/01/13 – Full Council, Financial Monitoring Report  
10/01/13 – Cabinet, Financial Monitoring Report  
24/01/13 – Full Council, Financial Monitoring Report  
28/02/13 – Cabinet, Financial Monitoring Report

### **PART B) – ADDITIONAL INFORMATION**

#### **5.0 2012/13 REVENUE BUDGET**

5.1 The Council had a gross revenue budget of £411m for 2012/13 and the final net revenue outturn position is as follows (a summary is provided in Appendix I):

	£m
Net Budget	126.254
Net Expenditure	126.199
Net Underspend	-0.055
Percentage Net Variance	-0.04

5.2 Variations by Service Delivery Unit are summarised below and further detail is provided in Appendix 2.

Service Area	Budget	Outturn	Variance
	£	£	£
Childrens Safeguarding	18,000,059	21,145,269	3,145,210
Education & Skills	8,449,424	7,868,340	(581,084)
Family & Cohesion Services	14,538,439	13,429,935	(1,108,504)
Customer & People Services	4,374,520	4,656,410	281,890
Neighbourhood & Leisure Services	26,261,974	26,479,089	217,115
Development, Business & Housing	(266,219)	(397,584)	(131,365)
Care & Support	42,616,720	42,630,617	13,897
Law, Democracy & Public Protection	2,341,530	2,177,249	(164,281)
Finance, Audit & Information Governance	0	(411,196)	(411,196)
Treasury	10,374,700	9,451,102	(923,598)
Cooperative Council	1,476,020	1,198,019	(278,001)
Council Wide	4,210,890	3,948,927	(261,963)
Central Provision	2,820,189	1,073,065	(1,747,124)
AMRA & Other Council Wide Items	(8,943,846)	(10,400,752)	(1,456,906)
<b>Total Variation</b>	<b>126,254,400</b>	<b>122,848,490</b>	<b>(3,405,910)</b>
Required for 2013/14 budget contingency- Approved at Full Council in March 2013		2,500,000	2,500,000
Transfer to Budget Strategy Reserve		850,387	850,387
<b>Year End Position</b>	<b>126,254,400</b>	<b>126,198,877</b>	<b>(55,523)</b>

Note: the above figures include both service and corporate variances (such as NNDR discretionary relief) - the detailed analysis is shown in Appendix 2. The figures are also before asset rentals, pensions accounting entries (as required by International Accounting Standard 19) and impairment costs which will be finalised for the production of the Statement of Accounts – these are technical accounting entries which are reversed out in the Income & Expenditure Account and do not impact on the overall outturn position shown above but which are required by accounting regulations that the Council must comply with.

5.3 Variances over £0.100m are highlighted below.

Service Delivery Unit	Variance £m
<b><u>Children's Safeguarding</u></b>	
<b>Children in Care</b> – overspend; reflects 321CiCat 31 March 2013 (302 at 31 March 2012).	+2.101
<b>Supported Placements/Special Guardianship and Residence Orders</b>	+0.114
<b>Child Protection and Assessment Staffing</b> – overspend arising from the use of agency staff employed to cover vacancies.	+0.559

<p><b>Support for Children in Need and Assessments</b>– costs for support for children in need and specific assessment requests.</p>	+0.182
<p><b>Legal Costs</b> – the costs associated with court proceedings</p> <p>Safeguarding and Family and Cohesion services have a robust cost improvement plan in place which is beginning to show impact and should come through fully in 2013-14 to bring spend back down to budget (including achieving savings target). This includes a reduction of Agency staff from 14 in Sept 2012 to 8.5 at the end of March, and a stabilising of the numbers of children in care after the rise last autumn, with some planned endings of high cost placements at the end of the financial year. Legal costs budget has been reset at a realistic level taking into account the costs and numbers of care proceedings. Applications for care proceedings have stayed at a consistent level since the rise seen nationally after Baby P in 2008</p>	+0.124
<p><b><u>Education &amp; Skills</u></b></p> <p><b>Employees</b> –impact from the restructure and vacancies.</p> <p><b>Education Business Partnership/Lifelong Learning &amp; Skills</b> – loss of grant funding</p> <p><b>Transport</b> – reduced costs due to efficiencies and demographic changes relating to Home to School Transport</p>	-0.193 +0.296 -0.375
<p><b><u>Family &amp; Cohesion Services</u></b></p> <p><b>Children &amp; Families Location Services</b> – mainly staff savings</p> <p><b>Early Intervention</b> – Teenage pregnancy; staff savings and changes in the level of service</p> <p><b>Transport</b> –savings on Home to School Transport costs</p> <p><b>Youth &amp; Community</b> – additional income and other operational savings</p>	-0.370 -0.106 -0.240 -0.115
<p><b><u>Care &amp; Support</u></b></p> <p><b>Purchasing budgets</b> –cumulative impact of the NHS cost shift resulting from the Continuing Health Care eligibility review carried out by the PCT since 2009 which has transferred £8.5m costs onto the Council. The Council has already funded £3m of this ongoing from savings to other</p>	+5.500

services hence the net ongoing variation of £5.5m.	
<b>NHS/PCT Funding</b> –one off funding only, from the PCT in relation to the shift of ongoing costs for clients previously established to have a Primary Health Need (CHC clients)	-2.700
<b>Other NHS Funding</b> -funds passed to the PCT by the Department of Health to support Social Care in Local Authorities. These should be used for service improvements or to offset the impact on Adult Care of overall direct Government funding cuts to local government, but are having to be used to offset the impact of the PCT's own savings exercise which switches CHC costs onto the Council as well as local people who are 'self funders'.	-2.030
<b>Purchasing</b> – reduction in Homecare costs across all client groups	-0.458
<b>Income</b> – shortfall of client contributions from all client groups.	+0.147
<b>Employee Costs</b> – underspend arising from vacant posts and part year appointments, mainly in the Commissioning and Substance Misuse Teams.	-0.232
<b>Care Leavers</b> – overspend relating to the cost of supporting 16-18 year olds as they leave care.	+0.703
<b>Supporting People</b> – delay in achievement of saving	+0.246
<b>One off Funding</b> – identified following a detailed review of available funds	-1.256
<b><u>Neighbourhood &amp; Leisure Services</u></b>	
<b>Winter maintenance</b> costs in excess of budget	+0.324
<b>Highways Maintenance</b> – additional highways maintenance works	+0.295
<b>Engineers</b> – shortfall in fee income	+0.129
<b>Public Realm</b> – a range of underspends on operational budgets following management action.	-0.370
<b>Highways</b> – street lighting and energy costs	-0.121

<b><u>Development, Business &amp; Housing</u></b>	
<b>PIP Rental Income</b> – shortfall due to unrealistic income target in current economic climate	+0.228
<b>Building Control &amp; Planning Fees</b> – shortfall due to downturn in the economy and historic unrealistic income target	+0.310
<b>Planning</b> – employee savings arising from vacancy management during restructure process.	-0.130
<b>Business Support</b> – one-off underspends due to vacancies.	-0.193
<b>Property &amp; Design</b> – underspends relating to premises (property rationalisation savings) and supplies and services	-0.255
<b>Employees</b> – including restructure savings and vacancy management savings	-0.293
<b><u>Customer &amp; People Services</u></b>	
<b>ICT</b> – overspend relating mainly to increased costs associated with maintenance contracts and the increase in numbers of staff using ICT and needing licences.	+0.346
<b>ICT</b> – shortfall of printing income due to reduced printing volumes resulting in savings being made in local service budgets	+0.131
<b>ICT</b> – capitalisation of ICT revenue spend to support revenue position	-0.307
<b>Education catering client account</b> – shortfall against free school meals income due to reduced take up.	+0.187
<b>School Meals</b> – primary school catering - shortfall in meals income due to reduced take up reflective of the economic climate	+0.106
<b>People Services</b> – staff savings arising from vacant posts and restructure	-0.219
<b>NNDR Discretionary Relief</b> – corporate variance - cost of discretionary reliefs granted (non controllable)	+0.109
<b>Court Fee Income</b> – corporate variance - shortfall against income target (non controllable)	+0.120

<b><u>Law, Democracy &amp; Public Protection</u></b>	
<b>Land Charges Income</b> – additional search fees income	-0.146
<b>Licensing Income</b> – shortfall arising mainly from taxi licensing	+0.125
<b><u>Treasury Management</u></b>	
Benefit of active treasury management seeking to maximise benefits from low interest rates and lower borrowing than anticipated.	-0.923
<b><u>Housing &amp; Council Tax Benefit Subsidy</u></b>	
Benefit arising from reduced audit fee and council tax benefit overpayment recovery	-0.367
<b><u>Budgeted Contingency</u></b>	
Balance of budget contingency remaining at year end.	-1.747

## 6.0 **RESERVES & BALANCES**

- 6.1 The main General and Special Fund balances are £3.121m at 31<sup>st</sup> March 2013. Subsequent to closedown a 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 <sup>st</sup> April 2012	<b>3.686</b>
Budgeted use of Balances	-1.390
Contribution to General Fund Balances i.e. 12/13 underspend	0.055
Transfers from other Balances	0.770
<b>Balances at 31<sup>st</sup> March 2013</b>	<b>3.121*</b>
*£250k committed to freedoms and flexibilities within Leisure	

The 2012/13 budget included projected use of £1.390m of balances; the actual use of balances was £1.335m which is lower due to in-year work to reduce spend and minimise use of the budget contingency through earlier delivery of savings and other management action. During the year all reserves and balances were reviewed resulting in £0.77m of reserves from reserves that are no longer

required being transferred in to General Fund balances (N.B. as part of the risk assessment of balances these had already been identified as usable balances for budget strategy purposes).

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

- 6.3 As agreed at Full Council in March 2013, £2.500m funds have been carried forward to create a one-off contingency for 2013/14 as part of the 2013/14 Service & Financial Planning Strategy.
- 6.4 It is proposed that £1m is transferred from the Budget Strategy Reserve to the Severance Fund. We have also received notification that part of the proceeds from the sale of the Council's interest in the West Mercia Supplies catalogue business, £0.850m, may be treated as a revenue item and it is proposed that this is transferred into the Budget Strategy Reserve.

## **7.0 2012/13 CAPITAL PROGRAMME**

- 7.1 The capital programme for 2012/13 was £79.6m; spend at year end was £62.7m giving a year end variation of £16.9m which is summarised in the table below:

Priority	Budget	Spend		Variance
	£m	£m	%	£m
Protect and Support Our Vulnerable Children & Adults	4.012	1.932	48	-2.080
Protect and Create Jobs as a 'Business Supporting, Business Winning Council'	14.769	11.445	77	-3.324
Improve the Health and Well Being of our Communities and Address Health Inequalities	4.435	4.216	95	-0.219
Regenerate Those Neighbourhoods in Need and Work Hard to Ensure That Local People Have Access to Housing	9.174	5.536	60	-3.638
Ensure That Neighbourhoods are Safe, Clean and Well Maintained	10.019	10.791	108	0.772
Improve Local People's Prospects through Education and Skills Training	34.904	26.161	75	-8.743
Managing the Organisation	2.357	2.703	115	0.346
<b>Total</b>	<b>79.670</b>	<b>62.784</b>	<b>79</b>	<b>-16.886</b>

7.2 The main scheme delays/re-phasing to 2012/13 are shown below with detail included in Appendix 4.

	£m
• Education & Skills - Building Schools for the Future: amendments to phasing	-7.247
• Education & Skills – Schools: various schemes most which are grant funded. Currently committed and works to commence shortly.	-0.683
• Vulnerable Children & Adults - Social Care ICT Review: All committed, delays in programme which has resulted in re-phasing	-0.447
• Vulnerable Children & Adults – Delays with Extra Care contract, full scheme designs not yet agreed due to late approval of the schemes which have resulted in rephasing.	-1.839
• Regeneration of Neighbourhoods –delays related to the scheme design phase,, groundworks now almost complete.	-0.690
• Business Supporting – Town Centre Rephasing of the Programme and early receipt of income from HCA; projected to be within budget overall.	- 2.238
• Regeneration of Neighbourhoods – delays in remedial works.	-0.235
• Regeneration of Neighbourhoods – Delays in acquisition of some properties in Brookside	-0.993
• Regeneration of Neighbourhoods – delays, delays in third party supply, late remedial works and required approval at cabinet (Housing Investment went 28th March).	-1.205
• Business Supporting – Accommodation Delays in Acquisitions	-1.085

7.3 There are a number of new approvals and virements which are also detailed in Appendix 4 and require formal approval.

7.4 The funding for the capital programme in 2012/13 included £33.139m estimated income from capital receipts. The actual income received in year was lower at £26.353m – the difference was mainly due to a number of receipts delayed until 2013/14. The shortfall in 2012/13 can be accommodated within the overall capital spend slippage and consequently does not result in any additional temporary borrowing. The position for 2013/14 is covered later in this report.

## 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. 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.

8.2 In summary, the overall position shows collection levels outside the targets set for 2012/13

<b>INCOME COLLECTION – MARCH 2013</b>			
	<b>Actual</b>	<b>Target</b>	<b>Performance</b>
<b>Collection Levels:</b>			
Council Tax Collection	97.2%	97.8%	0.60% behind target
NNDR Collection	97.4%	98.3%	0.90% behind target
Sales Ledger Outstanding Debt	7.45%	5.50%	1.95% behind target

### 8.3 **Council Tax (£61.2m)**

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 2011/12	97.8%
Year End Target for 2012/13	97.8%

Performance is cumulative during the year and expressed against the complete year's debit. Performance at year end is 0.60% behind of the target set for this year and the performance at the same time last year however reflects the national trend due to the current economic climate:

Year End Target	Year End Actual	Last year Actual
97.8%	97.2%	97.8%

The collection rates have out turned at 0.6% behind target and the performance at this point last year. This equates to approx £368k in monetary terms. The collection rate follows the national trend.

#### 8.4 **NNDR-Business Rates (£68.6m)**

The % of business rates for 2012/13 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 2011/12	98.3%
Year End Target for 2012/13	98.3%

Month End Target	Month End Actual	Last year Actual
98.3%	97.40%	98.3%

Collection for NDR out-turned at 0.9% behind target and performance for the previous year. This equates to approx £618k in monetary value. NDR has shown significant challenges as some businesses struggle to pay their liability. There will be significant challenge in 2013/14 for collection of NDR as 50% of all monies collected will be retained by the Council, but more focus is being applied to the collection of NDR from the start of April as 49% of business rates now come directly to the Council.

#### 8.5 **Sales Ledger (£36.7m)**

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

The target percent is set relating cumulative debt outstanding from all years to the current annual debit. The targets and performance of income collection for 2012/13 are as follows:

Age of debt	Annual Target %	March 2013	
		£m	%
Total	5.50	2.737	7.45%

Performance for sales ledger outstanding debt is outside target, and has remained so all year. There are still a number of large debts under dispute relating to Social Services which are in the process of being resolved with the PCT/CCG.

## 9.0 2013/14 UPDATE

The first detailed monitoring report for 2013/14 will be considered at Cabinet in July. However, this section of the report gives an early indication of some emerging issues for the new financial year, informed where relevant, by the closedown position reported above. Inevitably, early focus is on areas of potential pressure and managers are now taking action to seek ways to minimise these pressures and to identify ways to mitigate remaining issues.

### 9.1 Revenue

#### Care & Support -

- This budget remains under pressure with additional savings of £2.2m this year plus finding another £1.4m ongoing to cover spend (a mix of previous savings targets still being delivered and service pressures) which was covered last year by the use of one off social care funds. On top of this there is the ongoing pressure of CHC cost switching to resolve with the Clinical Commissioning Group which was offset last year by using one off NHS funds totalling £4.7m. There is an assumption of £4.4m one offs included in the base budget on the same basis following discussions with the CCG but this needs formalising with both them and the NHS England Area Team. 2012/13 outturn identified a significant overspend on transition/care leavers (£703k) which followed on from similar pressures in 2011/12. A review of this service is now starting but is unlikely to start to impact until later in the year.

#### Safeguarding

- The budget for 2013/14 for Children's Safeguarding has been amended in line with the Cost Improvement Plan and 2013/14 budget strategy. The adjusted budget reflects expected demand for Residential and Foster Care placements and then applies cost reductions associated with the actions proposed in the Plan. The objective is to reduce the expenditure in line with the base budget for 2013/14. The actions taken include reducing the number of Children in "High Cost Placements", reducing the number and cost of Agency staff currently covering vacancies and specialist placements, and some budget realignment. The cost reductions included in the Plan total £2.2m for 2013/14. However, the expected forecast costs arising from demand on the service resulted in a one off contingency budget being set aside as part of the 2013/14 budget strategy. This budget of £1.3m is held Corporately for Safeguarding, and expenditure forecasts arising from the Cost Improvement Plan identified that of this £1.3m Children's Safeguarding requires £0.93m, the remainder being earmarked for Adults.

Initial forecasts for 2013/14 suggest that the outturn expenditure will be in line with the Cost Improvement Plan model and within 2013/14 base

budget plus contingency and therefore in line with the budget strategy for 2013/14.

#### Neighbourhood and Leisure Services

- Pressure on environmental services which were supplemented by one off additional funding of £400k in 12/13. This includes additional rapid response and pot hole busting gangs. Service expectations will have to be managed to maintain costs within the available budgets
- projected income shortfalls against targets at Oakengates Theatre, currently estimated to be around £150k
- The potential impact on community leisure budgets as a result of the move of secondary schools to academies and trust status is currently being assessed.

#### Customer & People Services

- ICT – the cost of maintenance contracts relating to corporate systems and the need to increase the number of individual user licences is expected to be around £300k over budget and an ongoing challenge. The use of ICT is a key enabler of a modern and flexible workforce.
- NNDR Discretionary Relief – potentially £110k overspend. Based on overspends in the past few years, this is likely to continue to be a pressure area. Under the new Business Rates Retention Funding model the cost of granting discretionary relief is borne 50% by central government and 50% locally. A review of the policy for reliefs granted is underway.
- Court Fee Income – potentially £120k overspend against income target set although we will continue to collect this debt into the new financial year.

#### Law, Democracy and Public Protection

- Shortfall in licensing income, projected overspend around £130k
- Capacity/Staffing services in Legal, projected overspend around £100k

#### Finance, Audit & Information Governance

- Treasury – a benefit of £0.5m is estimated; despite the re-phasing of capital receipts assumptions, this may improve further as the year progresses and projections are updated.

#### Council Wide

- Education - the RSG settlement for 2011/12 and 2012/13 included a reduction in funding available for the Central Support of maintained schools in order to fund the Central support costs of academies. The formula used has changed too and local authorities who have been disadvantaged by the former mechanism will be refunded. £351k was returned to the Council in 2012/13 (for 2011/12). In 2013/14 we have an indication that £731k will be returned to the Council (for 2012/13).
- Insurance Liability - historically, Municipal Mutual Insurance Limited (MMI) provided the majority of insurance cover to Local Authorities,

including Wrekin DC and Shropshire County Council. MMI ceased trading in 1992 and the company is now in its 20th year of run-off with Zurich Municipal administering outstanding and new claims. After several years of a deteriorating solvency position and an adverse judgement in the Supreme Court, at its meeting in November the MMI Board determined that they would become insolvent and confirmed that an element of claims costs would be charged via a levy to local authorities. In April 2013, the Scheme Administrator announced that the initial rate of the levy would be 15% of the total of claims paid since 1993. Based on latest claims information, the 15% levy gives a total liability for Telford & Wrekin of £0.265m. A provision has been included in the accounts to reflect this known liability which is expected to be payable in 2013/14. There are potential future costs if the MMI situation deteriorates further.

## 9.2 **Capital**

The 2013/14 capital programme relies on £39.1m of capital receipts as part of its funding. Adjusting this for the receipts deferred from 2012/13, mentioned earlier in this report, brings the total value of receipts required in 2013/14 to £45.1m. Early monitoring indicates that around £30m of these receipts will not now be received until future years and options to bridge this short term issue are currently being investigated. The position may be alleviated once the 2013/14 capital programme is reviewed in light of the outturn position including slippage of expenditure.

## 9.3 **2013/14 Corporate Income Monitoring**

In summary, the overall position shows collection levels for council tax are ahead of target while NNDR collection and sales ledger debt is outside the target set.

<b>INCOME COLLECTION – APRIL 2013</b>			
	<b>Actual</b>	<b>Target</b>	<b>Performance</b>
<b>Collection Levels:</b>			
Council Tax Collection	10.37%	10.36 %	0.01% ahead of target
Business Rates Collection	12.92%	13.18%	0.26% behind target
Sales Ledger Outstanding Debt	7.45%	5.50%	1.95% behind target

## **Council Tax**

The targets for the forthcoming year have been provisionally set at 0.3% below last years collection rates. This is to reflect the fact that Council Tax Benefit has been abolished and replaced with Council Tax Support which has resulted in 11,000 taxpayers having to pay an increased amount of Council Tax, 8,000 of whom did not pay any Council Tax last year as they were in receipt of full benefit. At this stage it is unknown what collection rates will be for 2013/14, but it is highly likely that there will be challenges in collecting small balances from vulnerable customers. During April, double the number of Reminder Notices were issued in comparison to April 2012, which indicates the scale of non payment as a result of benefit customers

having to pay more Council Tax. The position will be monitored closely as the year progresses however new and innovative ways of collecting debt are being tried including the adoption of nudge principals along with promotions of the direct debit scheme to name just a few.

### **Business Rates**

Collection of Business Rates is of greater importance in 2013/14 as under the new Local Government Funding mechanism an element of rates collected is retained locally and directly forms part of the Council's overall funding. This transfers more risk to the Council from Central Government and it is vital that business rates income and collection is maximised. It is clearly very early in the year to project outturn, however it is concerning that collection is currently behind target and this will be closely monitored as the year progresses. This does, of course, continue the downward trend that was experienced during 2012/13 and which is being reflected across the country.

### **Sales Ledger**

Performance for sales ledger outstanding debt is outside target. There are still a number of debts under dispute relating to local NHS debts with Social Services which are being actively pursued.

## **10.0 BACKGROUND PAPERS**

2012/13 Budget Strategy and Financial Ledger reports  
2013/14 Budget Strategy

Report Prepared by:

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