

TELFORD & WREKIN COUNCIL

CABINET – 10 JANUARY 2013

2012/13 FINANCIAL MONITORING REPORT

**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 Revenue

Current financial monitoring shows revenue spending for the year is projecting to be within budget at year end which, given the context of the Council having to make £19m of budget savings required as part of the 2012/13 budget strategy, is a very positive position. The overall position has improved by £4.1m since the last report to Cabinet which is following rigorous financial review and management over the past few months. This has increased the amount of unused contingency which can be carried forward to support the 2013/14 budget on a one-off basis. This is currently projected to be £4.607m

There are a number of variations from the approved budget, including some significant beneficial variances. The main areas to highlight are:

- The cost of Children in Care Placements together with the use of agency staff in the Children's Safeguarding Service and associated legal costs – showing a combined variation for the Children & Safeguarding Service Area of £2.8m which is £0.4m higher than previously reported.
- A shortfall of £0.250m in relation to the Education Business Partnership due to lost grant income.
- A shortfall of £0.251m in relation to Lifelong Learning & Skills due to the impact of lost grant income.
- Care & Support Services are projecting a net overspend of £0.194m which is after offsetting anticipated one-off funding from the NHS totalling £4.7m together with the application of other one-off funding totalling £1.2m. The majority of the overspend relates to the PCT's withdrawal of funding for some clients with healthcare needs and the costs of supporting these people falling on the Council.
- Legal Planning Fees – £0.100m associated with planning applications.
- A benefit of £0.625m arising from active treasury management
- Savings against employee budgets relating to vacant posts across a range of services totalling £1.5m

- A one-off refund of £0.351m from the Government in relation to academies funding
- The cost of Specialist Education – net projected overspend of £0.657m which relates to stated provision, an increase of £0.407m since the last report; some DSG funded underspends have been identified to mitigate this overspend.
- Net income shortfalls of £1.7m relating to a number of services including building control fees, planning fees and PIP rentals, Business Development Centre income, temporary accommodation, school meals, licensing fees and Adult Social Care Client contributions

1.2 Capital

The capital programme totals £98m which includes approved changes for slippage and new approvals. Spend at the time of compiling this report was 30%; robust programme management and monitoring is in place.

The capital programme funding includes a significant amount of capital receipts anticipated to be delivered over the medium term. Failure to achieve, or delays to, the receipts would have financial implications for the Council. The position is being closely monitored and while there have been some changes since the budget was set, total receipts are currently on track.

1.3 Corporate Income Collection

Collection levels for NNDR; council tax and Sales Ledger outstanding debt are all behind target.

2.0 RECOMMENDATIONS

2.1 Members are asked to

- (i) Note that 2012/13 revenue spend is currently projecting to be within budget at year end and the significant improvement since the last report;**
- (ii) Note the pending insurance liability relating to Municipal Mutual Insurance Ltd and approve the recommended approach to meet the costs;**
- (iii) Approve the proposal to carry forward any remaining balance in the budgeted contingency to 2013/14 to create a one-off contingency, detailed in section 6; and the use of reserves identified in section 8 of the report;**
- (iv) Note the position in relation to capital spend and agree the recommendations to Full Council for approvals of the slippage, virements and new allocations identified in Appendix 3;**

(v) Note that collection rates are behind targets set for nndr, council tax and sales ledger.

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 31/3/13	
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	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

PART B) – ADDITIONAL INFORMATION

5.0 2012/13 REVENUE BUDGET

- 5.1 Financial monitoring is the responsibility of budget holders and is supported by Finance staff using a risk based approach: more focus is given to high risk areas (high value/highly volatile); less frequent monitoring is undertaken on low risk.
- 5.2 Initial monitoring shows that spend is projected to be within budget at year end which includes use of £0.300m of the remaining corporate contingency. The main changes since the last report are shown below:

Variations - £m	Oct Cabinet Report	Change	Current Projected Variation
Children's Safeguarding – Children in Care placements	+1.380	+0.298	+1.678
Education, Culture & Skills – Lifelong Learning & Skills – loss of grant income	0.000	+0.251	+0.251
Family & Cohesion – Statements and Out of County Placements	+0.250	+0.407	+0.657
DSG Funding – various underspends identified to meet the Special Educational Needs overspend	0.000	-0.657	-0.657
Family & Cohesion – staff savings relating to early years	-0.213	-0.195	-0.408
Care & Support – procurement of care packages	+5.500	-0.230	+5.270
Care & Support – care leavers costs	+0.194	+0.355	+0.549
Care & Support – Supporting People	+0.330	-0.126	+0.204
Care & Support – reduced commissioning costs	0.000	-0.150	-0.150
Care & Support – application of one off funding	0.000	-1.206	-1.206
Neighbourhood & Leisure Services - net savings on waste collection, disposal and fleet services	-0.085	-0.325	-0.410
Neighbourhood & Leisure Services – TWS Pension Costs covered by one of funds	+0.117	-0.113	+0.004
Neighbourhood & Leisure Services – shortfall in Engineers fee income due to the impact of the current procurement process on available chargeable hours	0.000	+0.110	+0.110
Development & Housing – planning legal fees	0.000	+0.100	+0.100
Development & Housing – use of one off funding identified towards PIP rental shortfall and planning fee income	0.000	-0.612	-0.612
Development & Housing – various underspends relating to strategic housing	0.000	-0.257	-0.257
Customer & People Services – organisational improvement employee savings due to vacancies	0.000	-0.153	-0.153
Council Wide – council/housing benefit subsidy	0.000	-0.125	-0.125
Council Wide – treasury management	-0.500	-0.125	-0.625
Other Variations	-2.540	-1.380	-3.920
Total Projected Variation	+4.433	-4.133	+0.300
Call on Contingency	-4.433	+4.133	-0.300
Final Projected Variation	0.000	0.000	0.000

5.3 Variations of more than £0.100m are detailed in section 5.4 for each Service Delivery Unit. The overall 2012/13 budget position is summarised in the table below together with the changes since the last report:

Service Delivery Unit	Previously Reported Variation	Total Current Variation	Movement
		£	£
Children's Safeguarding	2,397,728	2,798,195	400,467
Education, Culture & Skills	237,000	(272,000)	(509,000)
Family & Cohesion Services	(90,000)	(579,000)	(489,000)
Development, Business & Housing	752,000	48,000	(704,000)
Neighbourhood & Leisure Services	313,000	(5,000)	(318,000)
Care & Support	1,529,000	194,000	(1,335,000)
Customer & People Services	525,740	35,611	(490,129)
Law, Democracy & Public Protection	(169,285)	(100,878)	68,407
Finance, Audit & Information Governance	(118,820)	(235,708)	(116,888)
Cooperative Council Delivery Unit	(91,695)	(91,695)	0
Council Wide	(851,000)	(1,492,000)	(641,000)
Total Projected Variation	4,433,668	299,525	(4,134,143)
Call on Corporate Contingency	(4,433,668)	(299,525)	4,134,143
Projected Year End Position	0	0	0

5.4 Projected variances over £0.100m are highlighted below.

Service Delivery Unit	Variance £m
<u>Children's Safeguarding</u>	
Children in Care – overspend; reflects 320 CiC (at the end of November)	+1.678 [increased overspend]
Supported Placements/Special Guardianship and Residence Orders	+0.108 [reduced overspend]
Child Protection and Assessment Staffing – overspend arising from the use of agency staff employed to cover vacancies.	+0.561 [reduced overspend]
Support for Children in Need/Legal Costs and Assessments – costs associated with court proceedings, specific support for children in need and specific assessment requests.	+0.342 [increased overspend]]

<p><u>Education, Culture & Skills</u></p> <p>Employees – anticipated impact from the restructure and vacancies.</p> <p>Education Business Partnership – loss of grant funding</p> <p>Lifelong Learning & Skills – loss of grant funding</p> <p>DSG funding – underspends to mitigate the Special Education Needs costs in Family & Cohesion Services</p>	<p>-0.130 [no change]</p> <p>+0.250 [reduced overspend]</p> <p>+0.251 [increased overspend]</p> <p>-0.541 [increased benefit]</p>
<p><u>Family & Cohesion Services</u></p> <p>Specialist Education – projected overspend based on numbers currently in the system and an estimate of future statements. Projections of expenditure in this area are volatile due to the constant updating of information. This is net of DSG funding brought forward from 2011/12.</p> <p>DSG funding – underspends to mitigate the above costs</p> <p>Early Years – includes staff savings</p> <p>Transport – projected savings on Home to School Transport costs</p>	<p>+0.657 [increased overspend]</p> <p>-0.116 [increased benefit]</p> <p>-0.408 [increased benefit]</p> <p>-0.200 [no change]</p>
<p><u>Care & Support</u></p> <p>Purchasing budgets –resulting mainly from the impact of the PCT’s withdrawal of funding to clients due to their review of eligibility criteria resulting in more Continuing Health Care (CHC) costs falling on the council. The Council is engaged in productive dialogue with the PCT and it is anticipated that the impact in 12/13 will be mitigated – see below.</p> <p>NHS/PCT Funding – anticipated funding from the PCT in relation to clients with a Primary Health Need (CHC clients) as they rebalance their spending.</p>	<p>+5.270 [reduced overspend]</p> <p>-2.700 [no change]</p>

<p>Other NHS Funding - funds passed to the PCT by the Department of Health to support Social Care in Local Authorities.</p> <p>Income – shortfall of client contributions from all client groups.</p> <p>Care Leavers – overspend relating to the cost of supporting 16-18 year olds as they leave care.</p> <p>Supporting People – delay in achievement of saving</p> <p>Commissioning – reduction in staffing costs following the service restructure</p> <p>One off Funding – identified following a detailed review of available funds</p>	<p>-2.030 [no change]</p> <p>+0.257 [increased overspend]</p> <p>+0.549 [increased overspend]</p> <p>+0.204 [reduced overspend]</p> <p>-0.150 [increased benefit]</p> <p>-1.206 [increased benefit]</p>
<p><u>Neighbourhood & Leisure Services</u></p>	
<p>Winter maintenance costs in excess of budget</p> <p>TWS Pension Costs – increased costs from Shropshire Pension Fund; covered by one-off funds.</p> <p>One off funds identified to fund the TWS Pension Cost overspend above</p> <p>Environmental Services – net savings relating to waste disposal and fleet services</p> <p>Engineers fees and charges – income shortfall arising from reduced chargeable hours due to the current procurement process underway</p>	<p>+0.151 [no change]</p> <p>+0.117 [no change]</p> <p>-0.113 [increased benefit]</p> <p>-0.410 [increased benefit]</p> <p>+0.110 [increased overspend]</p>

<u>Development, Business & Housing</u>	
PIP Rental Income – shortfall due to economic climate	+0.250 [no change]
PIP – use of one off funds identified	-0.290 [increased benefit]
Building Control Fees – shortfall due to downturn in the economy	+0.100 [no change]
Planning Fees – shortfall due to downturn in the economy	+0.300 [no change]
Planning – identification of one-off funding to mitigate income shortfall shown above	-0.322 [increased benefit]
Planning Legal Fees – costs arising from defending planning applications	+0.100 [increased overspend]
Strategic Housing – underspends arising from vacant posts	-0.257 [increased benefit]
Business Development Centre – income shortfall relating to room hire, catering and other recharges	+0.100 [increased overspend]
Operational Properties – increased NNDR due to revaluations	+0.102 [no change]
<u>Customer & People Services</u>	
Education catering client account – shortfall against free school meals income budget partly due to schools not buying back into the service.	+0.193 [no change]
School Meals – shortfall in meals income due to reduced take up and purchasing overspends	+0.188 [increased overspend]
Organisational Improvement – staff savings arising from vacant posts and restructure	-0.153 [increased benefit]

<u>Law, Democracy & Public Protection</u>	
Land Charges Income – additional search fees income	-0.142 [increased benefit]
Licensing Income – shortfall arising mainly from taxi licensing	+0.152 [Increased overspend]]
Democratic Services – underspends relating to member allowances and subscriptions	-0.114 [increased benefit]
<u>Government Funding Refund</u> – one-off refund in relation to academies funding.	-0.351 [no change]
<u>Treasury Management</u> Benefit of active treasury management seeking to maximise benefits from low interest rates and lower borrowing than anticipated in the early part of the year.	-0.625 [increased benefit]
<u>Housing & Council Tax Benefit Subsidy</u> Benefit arising from reduced audit fee and council tax benefit overpayment recovery	-0.125 [increased benefit]

6.0 **CONTINGENCIES**

- 6.1 The 2012/13 budget includes combined contingencies of £7.391m, which are set aside to meet any unforeseen expenditure.

	£m
General Revenue Contingency	1.596
Inflation Contingency	2.550
Additional One Off Contingencies (held in reserves)	3.245
Total Contingency	7.391
Allocation of contractual inflation	1.522
Uses previously approved at Cabinet	0.962
Amount required to meet current Revenue Shortfall	0.300
Balance remaining in Contingencies	4.607

- 6.2 It is proposed that the balance remaining in contingency at year end is carried forward to 2013/14 as a one-off contingency.

7.0 INSURANCE UPDATE

7.1 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. A significant issue facing Local Authorities has been whether MMI has enough funds to meet its liabilities i.e. will it remain solvent - if it is not solvent then all of its members are liable for its debt. Key to MMI's financial position was the outcome of some long-running litigation in relation to policy wording which has now been received. The litigation (Employers Liability Policy Trigger Litigation) focused on the policy wording in place relating to asbestos-related claims and whether the cost of such claims should be met by MMI, another insurer or by the insured themselves. Unfortunately the judgement went against MMI and they were deemed liable. Asbestos related claims account for around 76% of MMI's total liabilities; other claims include noise induced deafness, abuse and industrial diseases. Further, MMI are still receiving new claims (in 2011/12 there were 945 new claims reported) so liabilities will continue to rise.

At their 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. A review is currently being undertaken by the scheme Administrators to consider the extent of the levy imposed. The timescales for this review are not known.

The total potential liability for Telford & Wrekin (based on current known claims) is £0.400m. Shropshire County Council has a total potential liability of £4.4m; our share of this is 30.97% (based on our share of the total Shropshire tax base at disaggregation when Telford & Wrekin became a unitary authority). The actual liability will depend on the levy imposed. If the levy was set at 20% the cost to T&W would be around £0.352m in total including our share of Shropshire's liability based on current claims. The levy will continue to apply to future claims received and so costs will continue to accrue in future years.

It is proposed that initially the cost is covered from the Council's self-insurance fund, however the adequacy of the fund will have to be kept under review and supplemented where required. With this in mind, it is recommended that £0.350m of the freed up reserves and balances, detailed in paragraph 8 below, is transferred to the Insurance Fund.

In summary, the Council does have an ongoing liability in relation to MMI however the value of the liability is uncertain and will need to be considered as part of future service and financial planning strategies

with further contributions to insurance provisions potentially being required in future years.

8.0 RESERVES AND BALANCES

8.1 A detailed review of service reserves and balances has been undertaken to identify funds which can be re-allocated to meet other priorities. A total of £1.029m has been identified for release and it is proposed to allocate this to as follows:

Total Balances Released	£1.029m
Proposed Uses	
Destination Telford	£0.150m
Insurance Fund	£0.350m
Capacity Fund	£0.264m
Severance Fund	£0.265m

The detailed list of balances released is shown in Appendix 4.

9.0 CAPITAL

9.1 2012/13 Capital Programme

The capital programme totals £98m which is after including approved adjustments for re-phasing, new approvals and slippage. Spend is shown in the table below and currently stands at 30% and robust programme management and monitoring is in place.

Priority	Budget £m	Spend To Date £m	%	Projection £m
Protect and Support our Vulnerable Children & Adults	3.661	0.913	24.9	2.837
Improve the Health & Wellbeing of our Communities	4.434	2.683	60.5	4.277
Protect and Create Jobs as a Business Supporting, Business Winning Council	14.769	5.559	37.6	14.354
Improve Local People's Prospects through Education & Skills	53.921	12.607	23.4	33.341
Regenerate Neighbourhoods in Need	9.173	2.368	25.8	8.449
Managing the Organisation	2.357	0.344	14.6	1.892
Ensure that Neighbourhoods are Safe and Clean	10.020	4.976	49.7	12.595
Total	98.335	29.450	29.9	77.745

New allocations and rephasing of schemes which require approval are detailed in Appendix 3.

9.2 The capital programme funding includes £112m receipts anticipated to be delivered over the medium term. Failure to achieve, or delays to, receipts would have financial implications for the Council. Detailed monitoring shows that in total receipts are currently on track. The position will continue to be closely monitored.

10.0 CORPORATE INCOME MONITORING

10.1 The Council's budget includes significant income streams which are regularly monitored to ensure they are on track 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.

10.2 In summary, the overall position shows collection levels for NNDR Council Tax collection and sales ledger debt are behind the target set.

INCOME COLLECTION – NOVEMBER 2012			
	Actual	Target	Performance
Collection Levels:			
Council Tax Collection	76.28%	76.55%	0.27% behind target
NNDR Collection	77.68%	77.91%	0.23% behind target
Sales Ledger Outstanding Debt	6.44%	5.50%	0.94% behind target

10.3 **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 to the end of November is 0.27% behind the target set for this year and the performance at the same time last year:

Month End Target	Month End Actual	Last year Actual
76.55%	76.28%	76.55%

The collection rates are following the national trend which appears to be 0.2% behind performance this time last year.

10.4 NNDR-Business Rates (£68.5m)

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%

Performance at the end of November is 0.23% behind the month end target and the collection at the same time last year. There are some Telford & Wrekin council accounts which have been paid earlier than they would normally be which has resulted in the collection rate looking healthier than expected. It is anticipated that outturn will be approximately 1% behind target.

Month End Target	Month End Actual	Last year Actual
77.91%	77.68%	77.91%

10.5 Sales Ledger (£43.5m)

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 are as follows:

Age of debt	Annual Target %	November 2012	
		£m	%
Total	5.50	2.661	6.44%

Performance for sales ledger outstanding debt is currently outside target but has improved significantly since the last report through active chasing customers for payment via telephone calls. There are still a number of debts under dispute relating to Social Services which will hopefully be resolved in the next month.

11.0 **BACKGROUND PAPERS**

2012/13 Budget Strategy / Financial Ledger reports

Report Prepared by:

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