

TELFORD & WREKIN COUNCIL**CABINET – 28 FEBRUARY 2013****2012/13 FINANCIAL MONITORING REPORT****REPORT OF THE ASSISTANT DIRECTOR: FINANCE, AUDIT &
INFORMATION GOVERNANCE (CHIEF FINANCIAL OFFICER)****LEAD MEMBER – COUNCILLOR 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 service overspend has increased by £0.134m since the last report to Cabinet. The 2013/14 Service & Financial Planning Strategy proposes that £2.5m is carried forward to create a one-off contingency to support next year's budget and this is also now included in the overall position. The remaining unused contingency is projected to be £1.97m.

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 £3.1m which is £0.3m higher than previously reported. This is an issue that is addressed within the Service & Financial Planning report also on this agenda as delivery of the agreed safeguarding budget action plan is a very significant risk for the council's overall service and financial planning strategy.
- A shortfall of £0.250m in relation to the Education Business Partnership due to lost grant income.
- Care & Support Services are projecting a net overspend of £0.304m 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.
- A benefit of £0.625m arising from active treasury management
- Savings against employee budgets relating to vacant posts across a range of services totalling £1.9m

- Savings arising from reduced fleet/transport across a number of services totalling £0.5m
- A one-off refund of £0.351m from the Government in relation to academies funding
- The cost of Specialist Education – net projected overspend of £0.539m which relates to stated provision, a reduction of £0.118m since the last report which is mitigated by reported underspends on DSG funded areas.
- Net income shortfalls of £1.5m relating to a number of services including building control fees, planning fees and PIP rentals, Business Development Centre income, school meals, licensing fees and Adult Social Care Client contributions

1.2 Capital

The capital programme totals £79.7m which includes approved changes for slippage and new approvals. Spend at the time of compiling this report was 51% which is broadly in line with previous years.

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 over the medium term are currently on track. Receipts for 2012/13 are lower than budgeted however this can be accommodated within the lower than budgeted spend projected.

1.3 Corporate Income Collection

Collection levels for NNDR are currently projected to be ahead of target; council tax and Sales Ledger outstanding debt are 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;**
- (ii) Note the position in relation to capital spend;**
- (iii) Note that NNDR collection is currently ahead of target while council tax and sales ledger are behind target.**

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
 10/01/13 – Cabinet, Financial Monitoring Report
 24/01/13 – 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 Monitoring shows that spend is projected to be within budget at year end. This position includes use of £2.9m of the remaining corporate contingency to cover net service variations and to carry forward £2.5m

as a one-off contingency for 2013/14 (which is included in the 2013/14 budget strategy). The main changes since the last report are shown below:

Variations - £m	Jan Cabinet Report	Change	Current Projected Variation
Children's Safeguarding – Children in Care placements	+1.678	+0.236	+1.914
Education & Skills – Premature Retirement Costs	+0.096	-0.148	-0.052
Education & Skills – Under spend relating to transport costs	0.000	-0.300	-0.300
Family & Cohesion – Statements and Out of County Placements	+0.657	-0.118	+0.539
Family & Cohesion – Under spend relating to transport costs	-0.200	-0.123	-0.323
Care & Support – procurement of care packages	+5.270	+0.178	+5.448
Care & Support – reduced employee costs	0.000	-0.240	-0.240
Development, Business & Hsg - reduced use of one-off funding against PIP rental shortfall	-0.290	+0.145	-0.145
Customer & People Services – increased costs relating to corporate ICT maintenance contracts	+0.083	+0.114	+0.197
Other Variations	-6.994	+0.390	-6.604
Total Projected Variation	+0.300	+0.134	+0.434
2013/14 one-off budget contingency – cfwd as part of budget strategy	0.000	+2.500	+2.500
Call on Contingency	-0.300	-2.634	-2.934
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:

Summary of 2012/13 Projected Variations

Service Delivery Unit	Previously Reported Variation	Total Current Variation	Movement
	£	£	£
Children's Safeguarding	2,798,195	3,064,299	266,104
Education & Skills	(272,000)	(722,413)	(450,413)
Family & Cohesion Services	(579,000)	(581,084)	(2,084)
Development, Business & Housing	48,000	49,000	1,000
Neighbourhood & Leisure Services*	(5,000)	261,000	266,000
Care & Support	194,000	304,000	110,000
Customer & People Services	35,611	98,415	62,804
Law, Democracy & Public Protection	(100,878)	(100,878)	0
Finance, Audit & Information Governance	(235,708)	(284,778)	(49,070)
Cooperative Council Delivery Unit	(91,695)	(161,496)	(69,801)
Council Wide	(1,492,000)	(1,492,000)	0
Total Projected Variation	299,525	434,065	134,540
Carry Forward to 13/14 as one off contingency		2,500,000	2,500,000
Call on Corporate Contingency	(299,525)	(2,934,065)	(2,634,540)
Projected Year End Position	0	0	0

*The £266k movement since the last report is due to fleet transport transferring to Family & Cohesion Services

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 317 CiC (end of January)	+1.914 [increased overspend]
Supported Placements/Special Guardianship and Residence Orders	+0.107 [no change]
Child Protection and Assessment Staffing – overspend arising from the use of agency staff employed to cover vacancies.	+0.515 [reduced overspend]
Support for Children in Need and Assessments – costs associated specific support for children in need and specific assessment requests.	+0.185 [reduced overspend]

Legal Costs – the costs associated with court proceedings	+0.143 [no change]
<u>Education, Culture & Skills</u> Employees – anticipated impact from the restructure and vacancies. Education Business Partnership – loss of grant funding Lifelong Learning & Skills – loss of grant funding Transport – reduced transport costs (includes Home to School Transport) DSG funding – underspends to mitigate the Special Education Needs costs	-0.130 [no change] +0.250 [no change] +0.191 [reduced overspend] -0.300 [increased benefit] -0.539 [no change]
<u>Family & Cohesion Services</u> 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. Children & Families Location Services – includes staff savings Transport – projected savings on Home to School Transport costs	+0.539 [reduced overspend] -0.462 [increased benefit] -0.323 [increased benefit]
<u>Care & Support</u> Purchasing budgets – cumulative impact of the financial pressure resulting from Continuing Health Care eligibility review criteria review carried out by the PCT since 2009 which has the impact of additional costs falling on the Council.	+5.448 [increased overspend]

NHS/PCT Funding – anticipated funding from the PCT in relation to clients with a Primary Health Need (CHC clients) as they rebalance their spending. Other NHS Funding - funds passed to the PCT by the Department of Health to support Social Care in Local Authorities. Income – shortfall of client contributions from all client groups. Employee Costs – underspend arising from vacant posts and reduced hours in the structure. Care Leavers – overspend relating to the cost of supporting 16-18 year olds as they leave care. Supporting People – delay in achievement of saving Commissioning – reduction in staffing costs following the service restructure One off Funding – identified following a detailed review of available funds	-2.700 [no change] -2.030 [no change] +0.280 [increased overspend] -0.240 [increased benefit] +0.601 [increased overspend] +0.204 [no change] -0.150 [no change] -1.206 [no change]
<u>Neighbourhood & Leisure Services</u>	
Winter maintenance costs in excess of budget TWS Pension Costs – increased costs from Shropshire Pension Fund; covered by one-off funds. One off funds identified to fund the TWS Pension Cost overspend above Environmental Services –net savings relating to waste collection and disposal Engineers fees and charges – income shortfall arising from reduced chargeable hours due to the current procurement process underway	+0.151 [no change] +0.117 [no change] -0.113 [no change] -0.140 [no change] +0.110 [no change]

<u>Development, Business & Housing</u>	
PIP Rental Income – shortfall due to economic climate	+0.262 [increased overspend]
PIP – use of one off funds identified	-0.145 [reduced 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 [no change]
Planning Legal Fees – costs arising from defending planning applications	+0.100 [no change]
Strategic Housing – underspends arising from vacant posts	-0.357 [no change]
Operational Properties – increased NNDR due to revaluations	+0.102 [no change]
<u>Customer & People Services</u>	
ICT – overspend relating mainly to increased costs associated with maintenance contracts.	+0.197 [increased overspend]
Education catering client account – shortfall against free school meals income budget partly due to schools not buying back into the service.	+0.229 [increased overspend]
School Meals – shortfall in meals income due to reduced take up and purchasing overspends	+0.173 [reduced overspend]
Organisational Improvement – staff savings arising from vacant posts and restructure	-0.153 [no change]

<u>Law, Democracy & Public Protection</u>	
Land Charges Income – additional search fees income	-0.142 [no change]
Licensing Income – shortfall arising mainly from taxi licensing	+0.152 [no change]
Democratic Services – underspends relating to member allowances and subscriptions	-0.114 [no change]
<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 [no change]
<u>Housing & Council Tax Benefit Subsidy</u> Benefit arising from reduced audit fee and council tax benefit overpayment recovery	-0.125 [no change]

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 (including £2.5m carry forward to support the 13/14 budget strategy).	2.934
Balance remaining in Contingencies	1.973

7.0 CAPITAL

7.1 2012/13 Capital Programme

The capital programme totals £79.7m which incorporates approved adjustments for re-phasing, new approvals, slippage together with updates included in the 2013/14 Service & Financial Planning Strategy (which is also on this meeting agenda).

The financial position is shown in the table below which shows spend at 51% of the budget allocation. Projected spend is expected to be £72.5m which indicates that further slippage will be incurred at year end.

Priority	Budget £m	Spend To Date £m	%	Projection £m
Protect and Support our Vulnerable Children & Adults	4.011	1.192	29.7	2.590
Improve the Health & Wellbeing of our Communities	4.434	3.749	84.6	4.280
Protect and Create Jobs as a Business Supporting, Business Winning Council	14.769	8.351	56.5	12.350
Improve Local People's Prospects through Education & Skills	34.907	17.680	50.7	32.160
Regenerate Neighbourhoods in Need	9.173	3.272	35.7	8.440
Managing the Organisation	2.357	0.480	20.4	1.920
Ensure that Neighbourhoods are Safe and Clean	10.019	6.154	61.4	10.800
Total	79.670	40.878	51.3	72.540

The capital programme funding includes £112.8m 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, although there have been changes since the budget was set, in total, over the medium term, receipts are on track. There is a projected shortfall in 2012/13, mainly due to some anticipated receipts not being delivered until 2013/14. This shortfall can be accommodated through slippage of expenditure, mentioned above, and some additional receipts expected in 2013/14. The position will continue to be closely monitored.

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 for NNDR ahead of target and Council Tax collection and sales ledger debt behind the target set.

INCOME COLLECTION – DECEMBER 2012			
	Actual	Target	Performance
Collection Levels:			
Council Tax Collection	85.41%	85.88%	0.47% behind target
NNDR Collection	87.09%	86.60%	0.49% ahead of target
Sales Ledger Outstanding Debt	8.16%	5.50%	2.66% 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 to the end of December is 0.47% 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
85.88%	85.41%	85.88%

The collection rates are slightly behind target, and at this stage in the year it seems unlikely that the year end target will be met.

8.4 NNDR-Business Rates (£68.1m)

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 December is 0.49% ahead of 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. Close monitoring will be undertaken during January and February to predict year end outturn.

Month End Target	Month End Actual	Last year Actual
86.60%%	87.09%	86.60%

8.5 **Sales Ledger (£43.2m)**

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 %	December 2012	
		£m	%
Total	5.50	3.118	8.16%

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 are proving difficult to resolve.

9.0 **BACKGROUND PAPERS**

2012/13 Budget Strategy / Financial Ledger reports

Report Prepared by:

Ken Clarke, Assistant Director: Finance, Audit & Information Governance (Chief Financial Officer) – 01952 383100;

Pauline Harris, Corporate Finance Manager – 01952 383701