

TELFORD & WREKIN COUNCIL**CABINET – 16 OCTOBER 2014
COUNCIL – 27 NOVEMBER 2014****2014/15 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 2014/15 Revenue**

The net outturn position for the Council's 2014/15 General Fund revenue budget is currently projected to be within budget. This is a significant improvement on the position reported to Cabinet on 24th July when a net overall overspend of £0.483m was reported. This improvement is a reflection of the strength of the financial management being exercised by Cabinet Members and senior managers. In year savings targets were issued to Directors in July and proposals are beginning to feed through which has had a positive impact and, where these are ongoing, will also assist with the continued budget pressures faced by the Council as a result of the Government's austerity programme. The overall position includes use of both the Safeguarding and Adult Social Services draw-down budgets, totalling £3.7m, together with £0.29m of the Council's general budget contingency. This leaves £2.71m contingency still available for the remainder of the year and is an overall improvement of £3.479m since July.

Since the last financial monitoring report was considered by the Cabinet, KPMG, The Council's independent external auditors have completed their review of the Council's statement of accounts for 2013/14. The Council has once again received an unqualified audit opinion on its accounts and no changes had to be made as a result of the audit that impact on the Council's revenue budget position.

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

- A benefit of £1.5m arising from active treasury management which includes the benefit in year of reviewing the Council's MRP policy relating to "government supported" debt in the same way as was agreed for all prudential debt as part of the budget strategy for 2014/15;

- The budget for 2014/15 allowed for implementation of the single status settlement during the year. This is unlikely to happen during this financial year and as such a net benefit of £1.8m will arise during this year;
- Additional dividend income from West Mercia Energy Purchasing Consortium of £0.1m;
- Adult Social Services are projecting an overspend of £6.3m relating to the cost of care packages. One-off balances of £3.2m (£2.2m approved corporately at year end and £0.9m Service Balances and £0.1 NHS England funding) are available to partly offset this. Progress in delivering savings is paramount to meet the shortfall in 2014/15 and to replace the use of one-off funds in future years;
- The cost of Children in Care Placements continues to be a significant pressure with an overspend of £1.2m being reported. This is being offset by use of the draw down budget which was built in to the 2014/15 base budget;
- The cost of supporting 16-18 year olds as they leave care is projecting an overspend of £0.3m;
- Cost pressures totalling £0.3m relating to the provision of Adults with Learning Disabilities in house services are currently projected – a review of the service is currently in progress which will reduce the overspend once implemented.
- Transport – commissioned by Family & Cohesion Services on behalf of client services; following the review of transport in 2013/14 client budgets were reduced to reflect savings identified. At this stage in the year overspends totalling £0.28m are being reported across client budgets pending delivery of the savings recommended. As savings are achieved the reported pressure should reduce.

1.2 Capital

The capital programme totals £134m which includes slippage and all approvals since the budget was set. Spend at the time of compiling this report was around 19% with projected spend being 96%.

A number of new approvals are presented for approval together with some changes to the funding of the capital programme. Capital receipts included in the medium term budget strategy are under continual review and any changes will be reflected in future budget projections. Updates will be provided in future monitoring reports.

1.3 Corporate Income Collection

The collection levels for NNDR, council tax and Sales Ledger outstanding debt are all slightly behind the targets set for the year.

2.0 RECOMMENDATIONS

2.1 Members are asked to

- (i) Note that 2014/15 revenue spending is currently projected to be within budget. Cabinet Members and Senior Management Team are continuing to review savings opportunities so that we are in the best position possible by year end
- (ii) Note the position in relation to capital spend and receipts and that Cabinet recommend that Council approve the new allocations, virements and slippage detailed in Appendix 3 and the funding changes to the capital programme detailed in section 6.2
- (iii) Note the collection rates for NNDR, council tax and sales ledger.

3.0 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Co-operative Council priorities?	
	Yes	Delivery of all priorities depend on the effective use of available resources. Regular financial monitoring helps to highlight variations from plan so that action can be taken to effectively manage the Council's budget.
	Will the proposals impact on specific groups of people?	
	No	
TARGET COMPLETION/DELIVERY DATE	To outturn within, or as close as possible to, budget at 31/3/15	
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	

PART B) – ADDITIONAL INFORMATION

4.0 2014/15 REVENUE BUDGET

4.1 Financial monitoring is the responsibility of budget holders and is supported by Finance staff using a risk based approach: following considerable reductions in finance resources through savings exercises more focus is given to higher risk areas (high value/highly volatile); less frequent monitoring is undertaken on budgets deemed to be lower risk.

4.2 The main changes since the last report to Cabinet are:

Variations - £m	24/7/14 Cabinet Report	Change	Current Projected Variation
Childrens Safeguarding & Specialist Services			
- increase in Children in Care Placements	+1.029	+0.127	+1.156
- reduction in Care Leavers accommodation costs	+0.480	-0.173	+0.307
- reduction in costs relating to external provision for Children with Special Educational Needs	+0.112	-0.112	0.000
- increased costs relating to direct payments personal care for children with disabilities	0.000	+0.115	+0.115
- additional use of earmarked corporate draw-down budget	-0.914	-0.286	-1.200
Education & Corporate Parenting			
- School Improvement Advisory Service – additional income from trading together with employee savings	0.000	-0.112	-0.112
Adult Social Services			
- Use of one off reserves	-0.800	-0.100	-0.900
- Uncommitted additional Govt. Funding	0.000	-0.133	-0.133
Neighbourhood & Leisure Services			
- Transport & Highways Development – one off employee savings due to vacancy management	0.000	-0.161	-0.161
- Additional one-off funding	0.000	-0.105	-0.105
- Highways & Engineers income shortfall	0.000	+0.119	+0.119
- One-off waste reserve committed to new contract	-0.200	+0.200	0.000
- One-off saving from green waste disposal	0.000	-0.120	-0.120
Development, Business & Employment			
- Southwater car park income shortfall	+0.058	+0.142	+0.200
- Development Management income	0.000	-0.100	-0.100
- Reduced use of one-off reserves	-0.125	+0.125	0.000
Customer Services			
- Savings identified from staffing restructures and cessation of the enabling service	0.000	-0.365	-0.365

Variations - £m	24/7/14 Cabinet Report	Change	Current Projected Variation
- Overspend relating to PC replacement programme and income shortfall	0.000	+0.100	+0.100
- Commercial catering income shortfall	0.000	+0.210	+0.210
Finance, Audit & Information Governance			
- Further benefits from active treasury management	-0.931	-0.594	-1.525
Cooperative Delivery Unit			
- Delivery & Planning employee savings relating to vacant posts	0.000	-0.119	-0.119
Council Wide			
- Litigation costs	0.000	+0.200	+0.200
- Single status	0.000	-1.800	-1.800
Other Variations	+5.060	-0.537	+4.523
Total Projected Variation	+3.769	-3.479	+0.290
Call on Contingency(-), contribution to(+)	-3.286	+2.996	-0.290
Final Projected Variation	+0.483	-0.483	0.000

4.3 Variations of more than £0.100m are detailed in section 4.4 for each Service Area. The overall 2014/15 budget position is summarised in the table below:

Service Area	Variation – Cabinet 24 7 14	Total Current Variation	Change
	£	£	£
Children's Safeguarding & Specialist Services	1,005,112	713,428	(291,684)
Education & Corporate Parenting	257,531	288,373	30,842
Family & Cohesion & Commissioning Services	(190,000)	(35,439)	154,561
Development, Business & Employment	118,000	107,700	(10,300)
Neighbourhood & Leisure Services	209,162	70,500	(138,662)
Adult Social Services	3,356,982	2,784,804	(572,178)
Public Health, Well Being & Public Protection	(73,037)	(200,000)	(126,963)
Customer Services	365,436	140,000	(225,436)
Law, Democracy & People Services	0	(5,349)	(5,349)
Finance, Audit & Information Governance	(1,146,334)	(1,740,334)	(594,000)
Cooperative Council Delivery Unit	0	(99,936)	(99,936)
Council Wide	(134,000)	(1,734,000)	(1,600,000)
Total Projected Variation	3,768,852	289,747	(3,479,105)
Use of uncommitted balance in Corporate Contingencies	(3,286,077)	(289,747)	2,996,330
Total Projected Variation after use of contingency	482,775	0	(482,775)

4.4 Projected variances over £0.100m are highlighted below, other variances are detailed in Appendix 2.

Service Area	Variance £m
<u>Children's Safeguarding & Specialist Services</u>	
Children in Care (CiC) – currently projecting £1.156m overspend; this reflects 300 CiC at the 31 Aug 2014 (309 at 31 March 2014, peak of 323 during last financial year). The financial strategy for 2014/15 includes an additional “draw-down” budget for Safeguarding to help meet the ongoing pressures on the service (see below). All placements are scrutinised and reviewed in line with the Action Plan and Placement Strategy to secure best value.	+1.156
Draw down budget – £1.2m set aside when the budget was set to meet CiC pressures.	-1.200
Care Leavers – overspend relating to the cost of supporting 16-18 year olds as they leave care.	+0.307
Foster Carer Costs – payments to Foster Carers including transport costs.	+0.142
Staffing – underspends from vacancies held in the service area which is offset by spend on agency staff.	-0.186
Direct Payments – overspend relating to direct payment personal care for children with disabilities.	+0.115
The Service Area has a Cost Improvement Plan for 2014/15 which includes specific elements to reduce the reported overspends described above. Close monitoring by senior officers and members is in place to review progress against the Cost Improvement Plan targets set.	
<u>Education & Corporate Parenting</u>	
School Improvement Advisory Service – additional income forecast from trading following restructure together with savings from vacant posts.	-0.112
<u>Family, Cohesion Services & Commissioning</u>	
Transport – transport is commissioned by Family & Cohesion Services and is provided to various client services: Adult Social Services, Education & Corporate Parenting and Neighbourhood & Leisure Services. Following the review of transport in 2013/14, client budgets were reduced to reflect the savings identified. Overspends totalling £0.276m are	

currently being reported by Client Services pending delivery of the recommendations in the Transport Review (£0.221m in Adult Social Services and £0.055m in Education & Corporate Parenting. As savings are achieved the reported pressures should reduce. Youth Offending Service – reduction to the Council's contribution to the Regional Youth Offending Service Contracting & Commissioning – mainly due to the transfer of Supporting People from Adult Social Services which is forecast to overspend by £0.380m, partially offset by restructure savings.	-0.136 +0.234
<u>Adult Social Services</u> Purchasing budgets – An overspend of £6.3m is projected. Included in the total savings target of £7.7m for all Adult Social Care Services (including ALD) is £4.051m targeted at purchasing budgets which have been reduced. Plans to mitigate the overspend are in place and subject to rigorous monitoring and review. The overspend is after the delivery of £2.1m savings already achieved. One off Funds – includes £0.9m Service balances plus NHS England Funding of £0.1m plus £2.24m of the one off draw down budget set aside at year end. Transport – impact of the budget reductions following the transport review, mentioned above. A number of proposals have been agreed which, when implemented, will reduce the projected overspend, however a full year impact of the savings will not be achieved.	+6.279 -3.240 +0.221
<u>Public Health, Wellbeing & Public Protection</u> Employee Costs – savings relating to staffing and operational budgets.	-0.111
<u>Neighbourhood & Leisure Services</u> Waste Disposal – cost pressures associated with the disposal of wood and hazardous materials at CRCs; green waste at kerbside along with replacement bin costs. Waste & Neighbourhood Services – benefit from green waste disposal.	+0.158 -0.120

Leisure Facilities & Services – income shortfall at Oakengates Leisure Centre and Horsehay Golf Complex	+0.141
One Off Funding – arising from savings; available to meet cost pressures	-0.105
Highways & Neighbourhood Management – income pressure	+0.119
<u>Development, Business & Employment</u>	
Regeneration & Investments – loss in Property Investment Portfolio investment income arising from the longer-term rationalisation of the property portfolio to secure a more sustainable income position ongoing and service charge voids.	+0.200
Southwater Car Park - as anticipated, delays to the opening date and the current road-work disruption have impacted on the usage of the multi storey car park. Business is rapidly growing as a result of the Southwater development with a range of new restaurants and facilities opening. As the economy continues to develop in the area so will the requirement for parking and income levels should therefore increase. This is net of mitigations.	+0.200
Business & Development Planning – one off savings arising from vacancy management	-0.124
Development Management – one off benefit from increased planning fees due to the current housing market.	-0.100
<u>Customer Services</u>	
ALD – Carwood residential home – overspend on employees due to additional hours worked	+0.175
ALD – Community Support – overspend on employees due to additional hours worked	+0.176
ALD – Care & Enablement – savings identified from staffing restructures and cessation of the enablement service.	-0.366
One-Off Funding – part of Social Services draw-down budget	-0.260
ICT – overspend relating to the PC replacement programme together with an income shortfall.	+0.100
Commercial Catering – income shortfall across a number of	+0.210

catering facilities. A management action plan is in place to address this. Customer Services overall position relies on £422k additional funding achieved through increased council tax and business rates. Due to accounting regulations this is not available to the Council in 2014/15 and will be met from one-off funds until 2015/16.	
<u>Finance, Audit & Information Governance</u> Treasury – the majority of this saving relates to the benefit of extending the change in the calculation of the Minimum Revenue Provision applied in 2013/14 to include supported debt (government allocations), which is made up of a back-dated element of £1.1m and an ongoing benefit. The revenue impact of changes to the level of anticipated capital receipts previously reported to cabinet is also reflected in this position.	-1.525
<u>Law, Democracy & Public Protection</u> There are currently no variations over £100k to report.	
<u>Co-operative Council Delivery Unit</u> Delivery & Planning – savings arising from vacant posts.	-0.119
<u>Purchase Rebates</u> Surplus dividend from West Mercia Energy relating to 2013/14 outturn performance.	-0.134
<u>Litigation Costs</u> Estimated costs associated with an ongoing litigation claim affecting a number of Councils across the country which is likely to reach a conclusion in 2014/15.	+0.200
<u>Single Status</u> The budget for 2014/15 allowed for implementation of the single status settlement during the year. This is unlikely to happen during this financial year and as such a net benefit of £1.8m will arise during this year.	-1.800

CONTINGENCIES

- 5.1 The 2014/15 budget includes a prudent contingency of £2.5m, which is set aside to meet any unforeseen expenditure or delays in phasing in the significant level of savings that the Council has to deliver this year, plus an amount held centrally for contractual inflation totalling £1.487m which forms part of the approved revenue budget but is only allocated

to specific budgets when the relevant inflation indices are available. Additional one-off amounts of £1.2m were earmarked for Safeguarding as part of the 2014/15 budget and £2.5m was earmarked for Adult Social Services at 2013/14 year end. Given the exceptional cuts being made in the Council's budget it is imperative that the Council has a reasonable level of contingency in order to cover increases in demand for services (e.g. safeguarding which can be significant and occur with no warning) and to allow for any delays or shortfalls in the delivery of planned savings. The current position relating to contingencies is shown below:

	£
General Revenue Contingency	2,500,000
Inflation Contingency	1,487,210
Safeguarding draw-down budget	1,200,000
Adult Social draw-down budget	2,500,000
Total Contingencies	7,687,210
Commitments:	
Current Estimate of contractual inflation	987,210
Safeguarding draw-down budget applied to service overspend	1,200,000
Adult Social Services draw-down budget applied to service overspend	2,500,000
Total Use of Contingency	4,687,210
Uncommitted balance remaining in Contingencies	3,000,000
Amount required to meet current revenue overspend	-289,747
Balance remaining in Contingencies	2,710,253

The balance remaining in the contingencies at year end will benefit the overall bottom line position and no call will need to be made against the Council's usable General Fund balances.

6.0 **CAPITAL**

6.1 **2014/15 Capital Programme**

The capital programme totals £134m, which includes all approvals since the budget was set (and those proposed in this report).

The financial position is shown in the table below which shows spend at just over 19% of the budget allocation. Projected spend is currently shown at £128m (reflecting likely requirements for some further slippage of spend into later years).

Priority	Budget £m	Spend To Date £m	% Spent	Projection
Education & Corporate Parenting	65.73	14.91	23	65.73
Dvpt. Business & Employment	30.33	6.67	22	26.11
Neighbourhood & Leisure	30.62	3.26	11	29.75
Adult Social Services	1.68	0.16	10	1.14
Customer Services	1.46	0.21	14	1.65
Cooperative Council Delivery Unit	4.33	0.00	0	4.33
Council Wide	0.12	0.00	0	0.00
Total	134.27	25.21	19	128.71

6.2 The 2014/15 capital programme relies on £7.4m of receipts as part of its funding (after adjusting for changes approved at Council in September 2014). Current monitoring indicates some of these receipts are not now expected to be received in 2014/15 (the majority being anticipated in 2015/16) which will give a total of just under £6m being received in 2014/15. It is proposed that the funding of the capital programme is updated to reflect this latest position. This has the impact of additional short-term borrowing being required until the receipts are received which is already reflected in the treasury projections shown in this report. Capital receipts included in the medium term budget strategy are under continual review and any changes will be reflected in future budget projections. Updates will be provided in future monitoring reports.

6.3 New allocations, slippage and virements are detailed at Appendix 3 for approval.

7.0 CORPORATE INCOME MONITORING

7.1 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.

7.2 In summary, the overall position shows collection levels for all debts are slightly outside the target set.

INCOME COLLECTION – August 2014				
	Actual	Target	Performance	Change in cash collected on last year
Collection Levels:				
Council Tax Collection	46.82%	47.07%	0.25% behind target	+ £797,553
NNDR Collection	48.59%	51.69%	3.10% behind target	Not Applicable
Sales Ledger Outstanding Debt	6.16%	5.50%	0.66% behind target	-£6,229,502 *

*The debit figure for sales ledger has reduced significantly over the last year, so as a result the amount being collected is not as high as previous years

7.3 Council Tax (£68.2m)

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 2013/14	96.6%
Year End Target for 2014/15	96.6%

Performance is cumulative during the year and expressed against the complete year's debit.

Month End Target	Month End Actual	Last year Actual
47.07%	46.82%	47.07%

Collection rates are at a similar level to the same time last year, with taxpayers in receipt of benefit still the client group who are struggling to pay. The council tax debit has risen by £2m over the last 12 months which is partly due to growth, but also a result of less benefit payments being made which in turn results in more council tax to collect.

Cash collection is £797k more than at this point last year.

7.4 NNDR-Business Rates (£73.1m)

The % of business rates for 2014/15 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 2013/14	97.3%
Year End Target for 2014/15	97.3%

Month End Target	Month End Actual	Last year Actual
51.69%	48.59%	51.69%

NNDR performance has slipped to 3% behind target. Analysis has shown the following:

- From 1st April 2014 to end of August 2014, the gross liability has increased by £1.1 million. In the same period last year, the liability decreased by £840k. This will be linked to the Council's growth agenda and also the £1 million project to find additional business rates.
- Total net payments have reduced by £757k compared to last year.
- £4.4million is due to be collected during Feb & March 2015, compared to £1.5 million during Feb & March 2014. The right to pay by 12 monthly instalments was introduced to businesses in April 2014 and take up for this offer is high.
- The number of summons and liability orders obtained during 2014/15 has decreased from the same period as last year which indicates that businesses are not yet struggling to pay.

It is expected that performance will stabilise over the forthcoming months and out turn at a similar level to last year once the instalments have been collected in February and March 2015.

7.5 Sales Ledger (£29.0m)

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 2014/15 are as follows:

Age of debt	Annual Target %	August 2014	
		£m	%
Total	5.50	1.79	6.16%

8.0 PREVIOUS MINUTES

27/4/14 – Full Council, Service & Financial Planning Strategy
 26/6/14 - Cabinet, Service & Financial Planning Report – 2013/14 Outturn and 2014/15 Update
 24/7/14 – Cabinet, 2014/15 Financial Monitoring Report
 11/9/14 – Council, 2014/15 Financial Monitoring Report

9.0 BACKGROUND PAPERS

2014/15 Budget Strategy / Financial Ledger reports

Report Prepared by:

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