

TELFORD & WREKIN COUNCIL

**CABINET – 8 JANUARY 2015
COUNCIL – 22 JANUARY 2015**

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 previously reported to Cabinet which is a reflection of proactive financial management by Senior Managers and Cabinet Members. We now expect to be £2.8m underspent at year end (compared to £0.3m overspent in the last report). It is proposed that additional funding for two priorities is met from this underspend: £0.260m Community Pride Fund; £0.750m Capacity Fund; which will take the underspend to £1.8m. This together with the unused element of the budget contingency (currently £3m) will be used to support the 2015/16 budget strategy and the delivery of future savings. In total therefore around £4.8m one-off resources (prior to debt write-offs e.g. arising from bankruptcy/liquidation of debtors) are currently projected to be available at year end to support future budget strategies which places the Council in as good a position as possible to meet the financial challenges which lie ahead.

The overall position includes full use of both the Safeguarding and Adult Social Services draw-down budgets and assumes that Transforming Telford Ltd. is closed this year and releases £0.73m of revenue balances.

Given the future financial outlook of very significant further government grant cuts and some medium term inflationary pressures, it is important to sustain this position as far as possible.

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

- Net in year savings across all Services totalling just over £6m which are contributing significantly to the Council's overall position. This position includes many one-off benefits for example arising from active treasury management, totalling £1.5m which have arisen from 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. Also included is the budget in 2014/15 allowed for the implementation of the single status settlement which will now not happen in 2014/15 and releases a benefit of £1.95m.
- Adult Social Services are projecting an overspend of £5.7m relating to the cost of care packages, which is an improvement of £0.5m on the previous report. One-off balances of £3.2m (£2.2m of the draw down budget approved corporately at year end and £0.9m Service Balances and £0.1 NHS England funding) are available to partly offset this. Further 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 in order to ensure that the Council's medium term financial plan is robust;
- The cost of Children in Care Placements continues to be a significant pressure with an overspend of £1.4m being reported, which is slightly higher than previously reported. This is being offset by use of the draw down budget which was built in to the 2014/15 base budget;
- 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 £0.22m 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 £137m which includes slippage and all approvals since the budget was set. Spend at the time of compiling this report was around 38% with projected spend being 98%.

A number of virements, new allocations and slippage are included in Appendix 3 for approval together with some changes to the funding of the capital programme.

1.3 Corporate Income Collection

The collection levels for Council Tax, Business Rates and Sales Ledger outstanding debt are slightly behind the targets set for the year.

2.0 RECOMMENDATIONS

2.1 Cabinet Members are asked to:-

- (i) Note that 2014/15 revenue spending is currently projected to be within budget and continue to work with SMT to sustain this position; and recommend that Council approve the transfer of £0.750m to the Capacity Fund.**
- (ii) Note the position in relation to capital spend and receipts and recommend that Council approve the new allocations, virements and slippage detailed in Appendix 3 together with the funding changes to the capital programme detailed in section 6.3.**
- (iii) Recommend that Council approve a further £150,000 expenditure to develop the site at Donnington for use as a MOD fulfilment centre. This expenditure will be recoverable from the successful bidder if Donnington is selected as the location but may be abortive should the MOD development at Donnington not go ahead. The additional expenditure will be funded from the existing 14/15 capital programme.**
- (iv) 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	16/10/14 Cabinet	Change	Current Projected Variation
Childrens Safeguarding & Specialist Services – increase in the cost of Children in Care Placements and Care Leavers accommodation costs	+1.156	+0.207	+1.363
Adult Social Services – reduced costs relating to purchasing of care packages	+6.278	-0.538	+5.740
Customer Services – ICT overspend against PC replacement programme however £238K of this is savings that have been re-profiled for delivery the following year and the shortfall this year has been met by alternative savings within the wider Customer Services Portfolio.	+0.100	+0.236	+0.336
Additional Savings identified across all Service Areas	-4.518	-1.505	-6.023
Other Variations	-2.727	-1.480	-4.207

Variations - £m	16/10/14 Cabinet	Change	Current Projected Variation
Total Projected Variation	+0.289	-3.080	-2.791
Call on Contingency	-0.289	+0.289	0.000
Contribution to Community Pride Fund		+0.260	+0.260
Contribution to Capacity Fund		+0.750	+0.750
Final Projected Variation	0.000	-1.781	-1.781

4.3 The overall 2014/15 budget position is summarised in the table below:

Service Area	Cabinet 16 10 14	Total Current Variation	Change
£	£	£	£
Children's Safeguarding & Specialist Services	713,428	692,749	(20,679)
Education & Corporate Parenting	288,373	(186,817)	(475,190)
Family & Cohesion & Commissioning Services	(35,439)	(533,900)	(498,461)
Development, Business & Employment	107,700	32,700	(75,000)
Neighbourhood & Leisure Services	70,500	43,500	(27,000)
Adult Social Services	2,784,804	1,932,796	(852,008)
Public Health, Well Being & Public Protection	(200,000)	(282,125)	(82,125)
Customer Services	140,000	(625,713)	(765,713)
Law, Democracy & People Services	(5,349)	(2,009,949)	(2,004,600)
Finance, Audit & Information Governance	(1,740,334)	(1,734,684)	5,650
Cooperative Council Delivery Unit	(99,936)	(224,936)	(125,000)
Council Wide	(1,734,000)	105,078	1,839,078
Total Projected Variation	289,747	(2,791,301)	(3,081,049)
Use of uncommitted balance in Corporate Contingencies	(289,747)	0	289,747
Total Projected Variation after use of contingency	0	(2,791,301)	(2,791,301)
Transfer to Capacity Fund		750,000	750,000
Transfer to Community Pride Fund		260,000	260,000
Total Projected Variation after transfers	0	(1,781,301)	(1,781,301)

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 £1.363m overspend which is an increase of £0.207m since the last report. This reflects 292 CiC at the 27 Nov 2014 (309 at 31 March 2014, peak of 323 during last financial year). The	+1.363

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. Draw down budget – £1.2m set aside when the budget was set to meet CiC pressures. Care Leavers – overspend relating to the cost of supporting 16-18 year olds as they leave care. This represents a significant improvement on the position in 2013/14 and an improvement of £0.083m since the last report. Internal Foster Carer Costs– payments to Foster Carers including transport costs. Staffing (Specialist Services) – underspends from vacancies held in the service area. Staffing (Safeguarding) – including the cost of agency social workers In year savings total £0.080m. 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.	-1.200 +0.184 +0.131 -0.295 +0.145
<u>Education & Corporate Parenting</u> School Improvement Advisory Service – additional income forecast from trading following the restructure In year savings total £0.130m.	-0.132
<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 £0.217m are currently being reported by Client Services pending delivery of the recommendations in the Transport Review (£0.162m in	

Adult Social Services and £0.055m in Education & Corporate Parenting. As savings are achieved the reported pressures should reduce. Cohesion – a combination of salary and other savings within the service. Early Intervention & Family Connect – restructure savings Contracting & Commissioning – mainly due to the transfer of Supporting People from Adult Social Services which is forecast to overspend by £0.383m, partially offset by restructure savings. Youth Services – one off savings identified Youth Offending Service – one off savings identified In year savings total £0.909m.	-0.158 -0.131 +0.190 -0.100 -0.283
<u>Adult Social Services</u> Purchasing budgets – An overspend of £5.7m is projected which is a reduction since the previous report. 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 £1.9m 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. Employees – savings arising from vacant posts within Adult Social Services.	+5.739 -3.240 +0.162 -0.239
<u>Public Health, Wellbeing & Public Protection</u> <u>Employees</u> – arising from part year vacancies and underspends on other employee budgets.	-0.109

In year savings total £0.200m.	
<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.	+0.169
Waste & Neighbourhood Services – benefit from green waste disposal.	-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	+0.170
In year savings total £0.185m.	
<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, short-term income pressures at Southwater car park and service charge voids.	+0.525
Business & Development Planning – one off savings arising from vacancy management	-0.143
Development Management – one off benefit from increased planning applications due to the current housing market and “Invest in Telford” campaign.	-0.225
In year savings total £0.440m.	
<u>Customer Services</u>	
ALD – Carwood residential home – overspend on employees due to additional hours worked	+0.180
ALD – Community Support – overspend on employees due to additional hours worked	+0.172
ALD – Care & Enablement – savings identified from staffing	-0.416

restructures and cessation of the enablement service.	
One-Off Funding – part of Adult Social Services draw-down budget	-0.260
ICT – overspend relating to the PC replacement programme however the shortfall will be met from savings within the wider customer services portfolio together.	+0.336
Commercial Catering – income shortfall across a number of catering facilities. A management action plan is in place to address this.	+0.138
Customer Services overall position relies on £730k 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.	
In year net savings total £0.386m.	
<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 is also reflected in this position.	-1.517
In year savings total £1.471m.	
<u>Law, Democracy & Public Protection</u>	
Single Status - 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 £1.9m will arise during this year.	-1.950
In year savings total £1.917m.	
<u>Co-operative Council Delivery Unit</u>	
Commercial Income – including income anticipated from the solar farm in 2014/15 (note, this excludes debt charges which are included in the Treasury projection; the net saving after debt charges will rise to £160k by 2016/17).	-0.125
In year savings total £0.163m.	

<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.	+0.250

5.0 **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

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 Councils usable General Fund balances.

6.0 **CAPITAL**

6.1 **2014/15 Capital Programme**

The capital programme totals £137m, 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 38% of the budget allocation. Projected spend is currently shown at £134m (reflecting likely requirements for some further slippage of spend into later years).

Priority	Budget £m	Spend To Date £m	% Spent	Projection
Education & Corporate Parenting	64.81	28.45	44	64.81
Dvpt. Business & Employment	32.96	13.20	40	30.51
Neighbourhood & Leisure	30.88	9.35	30	30.23
Adult Social Services	1.90	0.21	11	1.67
Customer Services	2.13	0.63	29	2.13
Cooperative Council Delivery Unit	4.04	0.01	0	4.04
Council Wide	0.12	0.00	0	0.12
Total	136.84	51.85	38	133.51

6.2 New allocations and slippage are detailed at Appendix 3 which are presented for approval.

6.3 The 2014/15 capital programme relies on £6m capital receipts as part of its funding. Current monitoring indicates that some of these receipts are now not expected to be received in 2014/15 which will take the total receipts anticipated in 2014/15 to £2m. The funding of the capital programme will be updated to reflect this position (which is also included in the budget strategy).

6.4 Since the last monitoring report we have been continuing dialogue with the MOD regarding the development of a fulfilment centre at Donnington. In order to make the site ready to develop within the MOD timeframe the Council will be undertaking some further ecological and site access works. The MOD has agreed that the costs of these works can be recovered should Telford be selected as the site for the development, but may be abortive should the development at Donnington not go ahead. Indications are that Donnington is the preferred location in all bidders solutions. The additional works will be

funded from unallocated capacity within the existing 14/15 capital programme. However, these additional works will exceed the current approval to spend at risk by £150,000 and Council approval will be sought to this expenditure in order to maintain Telford's position as a viable option for the MOD fulfilment centre. An announcement on the successful bidder, and location, is anticipated in the next month.

- 6.5 The capital programme for 2014/15 includes allocations amounting to £21m funded from time limited capital grants. This includes £7.5m for stability work in the Gorge, £4.7m Green Deal funding and £676k for pothole repairs and highways maintenance. These grants must be spent in full by the 31st March 2015. Actual expenditure against these allocations is currently £9m. Project managers are currently projecting that all of the grant funded elements of the projects will be complete and the funding spent by the 31st March deadline however actual percentage spend against a number of these projects is low. There is a risk that some projects will not be complete in 2014/15 and grant funding will not be available in 2015/16. All schemes are being actively managed and monitored to mitigate this risk.

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 – November 2014				
	Actual	Target	Performance	Change in cash collected on last year
Collection Levels:				
Council Tax Collection	74.28%	74.77%	0.49% behind target	+ £1,252,889
NNDR Collection	74.30%	75.05%	0.75% behind target	N/A
Sales Ledger Outstanding Debt	7.27%	5.50%	1.77% behind target	+£2,068,626

7.3 Council Tax (£68.5m)

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
74.77%	74.28%	74.77%

£1.2 million more has been collected in council tax so far this year compared to last year. Collection rates are at slightly reduced rate compared with this time last year, with taxpayers in receipt of benefit still the client group who are struggling to pay.

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
75.05%	74.30%	78.55%

We have re-profiled the NDR targets for the rest of the financial year to account for the new national instalment scheme over 12 months rather than 10 months. As businesses will be paying instalments later in the year, we can no longer compare the 14/15 performance to 13/14. Performance this year is now slightly behind target. Business rate growth has created a significant increase in the debit to collect, but due to the 12 monthly instalments, this won't show through in cash collected until the last 2 months of the financial year.

7.5 **Sales Ledger (£35.9m)**

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 %	November 2014	
		£m	%
Total	5.50	2.61	7.27%

Sales ledger performance outside of target. This is largely due to a number of large invoices which have been raised recently for the NHS Trust.

The overall revenue out-turn position reported above is before any debt write-offs are made to reflect sales ledger invoices that are considered uncollectable. Clearly every possible effort is made to collect outstanding debts but in some cases collection may not be feasible for example because debtors have been declared bankrupt or are in liquidation with insufficient assets.

8.0 PREVIOUS MINUTES

27/4/14 – 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
 16/10/14 – Cabinet, 2014/15 Financial Monitoring Report
 27/11/2014 – Council, 2014/15 Financial Monitoring Report

9.0 BACKGROUND PAPERS

2014/15 Budget Strategy / Financial Ledger reports

Report Prepared by:

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