

TELFORD & WREKIN COUNCIL

**CABINET – 10 DECEMBER 2015
COUNCIL – 21 JANUARY 2016**

2015/16 FINANCIAL MANAGEMENT REPORT

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

LEAD CABINET MEMBER: CLLR LEE CARTER

PART A) – SUMMARY REPORT

1.0 SUMMARY OF KEY ISSUES

1.1 2015/16 Revenue

The overall net projected outturn position for 2015/16 for all service budgets across the Council shows a considerable improvement of £1.3m on the position reported to Cabinet on 15 October 2015 and reflects the strength of financial management being exercised by Cabinet Members and senior managers in an extremely challenging financial climate.

The Council set a prudent contingency for the year and the projected position is after applying £1.4m from contingency which should leave a balance of £2.8m remaining to offset any further pressures that may arise in the remainder of the year. Any balance remaining at year end will be used to support the service and financial planning strategy in 2016/17. However, the intention is to drive further improvements in the overall financial position in order to support the service and financial planning strategies of future years.

The exceptionally good position now reported does, however, enable £100k to be set aside in a provision to be used to support campaigns and other activities promoting channel shift and demand management initiatives to support the Council's savings strategy and to promote the interests of local people for example supporting campaigns to seek a fairer funding settlement for the Borough, to protect services at the Princess Royal Hospital and increasing electoral registration.

Adult Social Services and Children's Safeguarding continue to be key areas of pressure and both areas have cost improvement plans in place to reduce costs and deliver savings. These plans are monitored on a regular basis both by senior managers and Cabinet Members.

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

- A benefit of £1.0m relating to Treasury Management activities
- An in year reduction in the public health grant of £0.77m imposed by Government.
- A benefit of £0.8m relating to the budget for the implementation of Single Status which will not be required in 2015/16
- Adult Social Services are currently projecting an overspend of £1.6m, which is an improvement since the last monitoring report, mainly relating to the cost of care packages; a cost improvement plan is in place to deliver savings which should reduce this as the year progresses.
- Children's Safeguarding also continues to be a key pressure with an overspend of £1.7m being reported, the majority relating to the cost of Children in Care placements. A cost improvement plan is in place to review costs and the placement strategy.

The Senior Management Team will continue to closely manage spend to sustain this position and where possible will identify further savings opportunities and one-off benefits which will have a positive impact on 2015/16 and will place us in a good position as the financial strategy for 2016/17 and beyond is developed. While some high level information about future national funding levels was announced as part of the Comprehensive Spending Review on the 25 November, the detailed information relating to this Council is expected to be received in December when the Government issue the local government finance settlement. It is however clear that local government will face significant reductions in resources and work is therefore underway to develop a range of savings options. Inevitably after the Council has already delivered £80m of ongoing annual savings the cuts will become increasingly challenging and will have significant front line service impacts. The Cabinet will commence an extensive consultation exercise on its 2016/17 – 2017/18 budget proposals in January which will include the proposed savings package.

1.2 Capital

The capital programme totals £93m which includes all approvals since the budget was set. At the time of compiling this report projected spend was 98% of the budget allocation.

There are a number of new allocations, virements and slippage which are presented for approval (detailed in Appendix 3) together with some changes to the funding of the capital programme.

1.3 Corporate Income Collection

The collection level for Council Tax is on target; Business Rates and Sales Ledger outstanding debt are both ahead of target set for the year.

2.0 RECOMMENDATIONS

2.1 Cabinet Members are asked to:-

- (i) Note that 2015/16 revenue spending is currently projected to be within budget and continue to work with SMT to sustain this position;**
- (ii) Note the position in relation to capital spend and that Cabinet recommend that Council approve the new allocations, slippage, virements and funding changes detailed in Appendix 3**
- (iii) Note the collection rates for NNDR, council tax and sales ledger.**
- (iv) To allocate £100k from the corporate contingency to support campaigns promoting channel shift and demand management initiatives and to protect and promote the interests of local people for example campaigning for a fairer funding settlement for the Borough, to protect services at the Princess Royal Hospital and increasing electoral registration**

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 in the financial management reports 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 the budget set for 2015/16 at 31/3/16.	
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 ensure that the Council takes action if overall net overspends

		/shortfalls emerge.
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	
IMPACT ON SPECIFIC WARDS	No	

PART B) – ADDITIONAL INFORMATION

4.0 2015/16 REVENUE BUDGET

4.1 Financial management 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 financial monitoring is undertaken on budgets deemed to be lower risk.

4.2 The main changes since the last report are:

Variations - £m	15/10/15 Cabinet	Change	Current Projected Variation
Safeguarding – Care Leavers Accommodation Costs	+0.030	-0.162	-0.132
Safeguarding Staffing Costs	+0.397	+0.188	+0.585
Adult Social Services – External Purchasing/ Income	+4.844	-0.616	+4.228
Treasury Management	-0.700	-0.300	-1.000
Other Variations	-1.907	-0.411	-2.318
Total Projected Variation	+2.664	-1.301	+1.363
Call on Contingency	-2.664	+1.301	-1.363
Final Projected Variation	0.000	0.000	0.000

4.3 The overall 2015/16 budget position is summarised in the table below:

Service Area	Previous Variation Cabinet 15 Oct 2015	Current Variation	Change
	£	£	£
Children's Safeguarding & Specialist Services	1,590,182	1,693,615	103,433
Education & Corporate Parenting	90,178	18,944	(71,234)
Family, Cohesion & Commissioning Services	296,130	103,616	(192,514)
Development, Business & Employment	200,000	100,000	(100,000)
Leisure, Culture & Facilities Management	10,000	0	(10,000)
Adult Social Services	1,937,143	1,577,002	(360,141)
Health, Well Being & Public Protection	204,000	100,987	(103,013)
Neighbourhood & Customer Services	0	(191,699)	(191,699)
Law, Democracy & People Services	(850,551)	(832,016)	18,535
Finance, Audit & Information Governance	(784,419)	(1,179,092)	(394,673)
Cooperative Council & Commercial Delivery Unit	(28,289)	(28,289)	0
Council Wide	0	0	0
Total Projected Variation	2,664,374	1,363,068	(1,301,306)
Use of Uncommitted Corporate Contingencies	(2,664,374)	(1,363,068)	1,301,306
Total Projected Year End Variation	0	0	0

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 Placements (CiC) – currently projecting £1.261m overspend which is an improvement when compared to the overspend of £1.558m at the end of 2014/15, and a slight increase in cost since the last report. This reflects 286 CiC at the 5 November 2015 (293 at 31 March 2015). Work is ongoing to further reduce costs which includes reviewing unit costs, the numbers of children in care and the placement strategy.	+1.261
Internal Foster Carer Costs – payments to Foster Carers including transport costs and foster carer training.	+0.141
Staffing (Safeguarding) – including the cost of agency social workers. New agency worker posts have been appointed for a fixed term period to deliver business critical work.	+0.585
Care Leavers Accommodation Costs – projecting to be under budget which is based on activity in the first half of the	-0.132

year.	
Joint Adoption Service – pressures arising from the cessation of the Adoption Reform Grant that part-funded this service and savings targets not yet delivered. Work is underway to bring spend back within budget.	+0.159
Children not in Care/ in Need costs – adoption agency fees and costs relating to keeping children at home which are both alternatives to the higher care related costs.	+0.234
One off Funds – use of specific contingency set aside as part of the budget strategy	-0.750
The Service Area has a Cost Improvement Plan for 2015/16 which includes specific elements to reduce the reported overspends described above. Close monitoring and management by senior officers and members is in place to review progress against the Cost Improvement Plan targets set.	
<u>Education & Corporate Parenting</u> There are currently no variances over £0.100m to report.	
<u>Family, Cohesion Services & Commissioning</u>	
Transport Contracting & Commissioning – costs relating to Supporting People. The service is currently under review to deliver savings and is looking at innovative ways of providing support.	+0.200
<u>Adult Social Services</u>	
Purchasing budgets – the pressures reported throughout 2014/15 are continuing into 2015/16. The service has a cost improvement plan which if successfully delivered in full during 2015/16 would eradicate the overspend. This is being closely monitored by senior officers and members.	+4.228
Transport – spend is consistent with 2014/15 and remains over budget. A review group has been set up to look at ways to reduce expenditure and identify a more robust transport policy.	+0.171
One off Contingency – use of specific contingency set aside as part of the budget strategy	-2.500
One off Funds – use of one off reserves	-0.475

<u>Public Health, Wellbeing & Public Protection</u>	
Smoking Cessation Contract – saving arising from reduced demand and use of service.	-0.190
Working Age – Healthy Lifestyles & Health Trainers – in year vacancies has resulted in an underspend	-0.114
Public Health Grant – in year cut to the Public Health Grant funding announced by the Chancellor in June.	+0.773
<u>Leisure, Culture & Facilities Management</u>	
There are currently no variances over £0.100m to report.	
<u>Development, Business & Employment</u>	
Regeneration & Investments – Property Investment Portfolio income shortfall on current projections.	+0.300
<u>Neighbourhood & Customer Services</u>	
ICT – pressure mainly arising from the increased number of Microsoft licenses required across the council.	+0.208
Transport & Highways Development – one off savings from vacant posts	-0.200
<u>Finance, Audit & Information Governance</u>	
Treasury –benefit arising from current low interest rates and lower borrowing than anticipated in the earlier part of the year.	-1.000
<u>Law, Democracy & People Services</u>	
Single Status - the budget for 2015/16 allowed for implementation of the single status settlement during the year which will not happen. This is net of the Payroll/HR IT system costs approved by Cabinet in July.	-0.800
<u>Co-operative Council Delivery Unit</u>	
There are currently no variances over £0.100m to report	

5.0 CONTINGENCIES

- 5.1 The 2015/16 budget includes a prudent general contingency of £2.776m, 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. There is also an amount held centrally for contractual inflation totalling £1.744m which forms part of the approved revenue budget but is only allocated to specific budgets when the relevant inflation indices are available. 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	2,776,000
Inflation Contingency	1,744,000
Total Contingencies	4,520,000
Commitments:	
Current commitments for contractual inflation	208,000
Public Campaigns – see recommendation 2(iv)	100,000
Total Committed Use of Contingency	308,000
Balance remaining in Contingencies	4,212,000
Required for Revenue Position	1,363,068
Residual balance in Contingencies	2,848,932

Currently £1.4m of the contingency is required to bring spend within budget in 2015/16. This leaves £2.8m available to meet any unforeseen costs in the remainder of the year

6.0 CAPITAL

6.1 2015/16 Capital Programme

The capital programme totals £93m, which includes the approvals proposed in this report.

The financial position is shown in the table below which shows projected spend is currently shown at £91m (reflecting likely requirements for some further slippage of spend into later years).

Service Area	Budget	Year End Projection
	£m	£m
Education & Corporate Parenting	31.66	31.67
Development, Business & Employment	32.89	32.18
Neighbourhood & Customer Services	23.66	23.17
Adult Social Services	2.39	1.93
Customer Services	2.44	2.44
Cooperative Council Delivery Unit	0.23	0.10
Council Wide	0.12	0.00
Total	93.39	91.49

6.2 A number of virements, slippage and new allocations are put forward for approval which are detailed in Appendix 3.

6.3 The 2015/16 capital programme relies on £12.01m of receipts as part of its funding (after adjusting for changes already approved). The latest monitoring indicates that some of these receipts need to be adjusted to reflect current market values and we now anticipate that just over £10.83m will be received in 2015/16. This has the impact of additional short-term borrowing being required 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.

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 for all income streams is either on or above target. Cash collection remains in a very strong position in all three areas.

INCOME COLLECTION – October 2015				
	Actual	Target	Performance	Change in cash collected on last year
Council Tax Collection	65.31%	65.31%	On target	+ £1,404,755
NNDR Collection	66.76%	66.38%	0.38% ahead of target	+£1,816,516
Sales Ledger Outstanding Debt	6.84%	7.00%	0.16% ahead of target	+£5,133,819

7.3 Council Tax (£70.5m)

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 2014/15	96.7%
Year End Target for 2015/16	96.7%

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

Month End Target	Month End Actual	Last year Actual
65.31%	65.31%	65.31%

Cash collected for council tax has increased by almost £1.4m compared to this point last year and percentage collection is on target to achieve the same performance as last year.

7.4 NNDR-Business Rates (£75.3m)

The % of business rates for 2015/16 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 2014/15	97.5%
Year End Target for 2015/16	97.6%

Month End Target	Month End Actual	Last year Actual
66.38%	66.76%	66.28%

Cash collected for business rates is £1.8m more than this point last year. We have collected an additional £286k above the month end target.

7.5 Sales Ledger (£41.3m)

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 2015/16 are as follows:

Age of debt	Annual Target %	October 2015	
		£m	%
Total	7.00	2.82	6.84%

Sales ledger performance is within target for the first time this financial year. Targeted work continues on collecting payment on the highest value outstanding debts.

8.0 PREVIOUS MINUTES

05/03/15 – Council, Service & Financial Planning Strategy
 25/06/15 - Cabinet, Service & Financial Planning Report – 2014/15 Outturn and 2015/16 Update
 23/7/2015 – Cabinet, Financial Management Report
 1/10/2015 – Council, Financial Management Report
 15/10/2015 – Cabinet, Financial Management Report
 26/11/2015 – Council, Financial Management Report

9.0 BACKGROUND PAPERS

2015/16 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