

TELFORD & WREKIN COUNCIL**CABINET – 21 JULY 2016
COUNCIL 29 SEPTEMBER 2016****2016/17 FINANCIAL MANAGEMENT REPORT****REPORT OF THE ASSISTANT DIRECTOR: FINANCE & H.R. (CHIEF
FINANCIAL OFFICER)****LEAD CABINET MEMBER: CLLR LEE CARTER****PART A) – SUMMARY REPORT****1.0 SUMMARY OF KEY ISSUES****1.1 2016/17 Revenue**

The net projected outturn position for 2016/17 is estimated to be within budget. This is after applying £3.4m available in central contingencies, pending any further commitments in the rest of the year; and after using the specific contingency of £2.5m earmarked in the 2016/17 budget strategy for Early Help & Support pressures and the one off service balances totalling £0.5m for Children's Safeguarding.

This is a positive start to the year given that over £18m savings were required to balance the 2016/17 budget and the aim is that senior managers will sustain this position and make further improvements where possible by year end.

Children's Safeguarding and Early Help & Support continue to be key areas of pressure and both 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 £1.5m relating to Treasury Management activities - the majority of which relates to benefits from low interest rates for short term borrowing and the current Treasury Management Strategy of keeping the majority of new borrowings very short term
- A one off benefit of £0.6m following the final winding-up of Transforming Telford Ltd.
- Early Help & Support are currently projecting an overspend of £4.0m, 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 £1.1m 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 funding outlook for the medium term is still uncertain however it is anticipated that the Council will need to identify a further £15-£20m savings by the end of 2019/20 on top of the £12m already identified for 2017/18, so it is important that we maintain our excellent track record in managing budgets and maximise the position in 2016/17 which will assist in future years.

1.2 Capital

The capital programme totals £97.3m which includes all approvals since the budget was set. At the time of compiling this report projected spend was 88% of the budget allocation.

There are some new allocations, virements and slippage identified which will go forward to Full Council in September for formal approval.

1.3 Corporate Income Collection

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

2.0 RECOMMENDATIONS

2.1 Cabinet Members are 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; and approve the proposed use of the contingency detailed in 5.1
- (ii) Note the position in relation to capital spend and that Cabinet recommend that Council approve the new allocations, virements and slippage detailed in Appendix 3;
- (iii) Note the collection rates for NNDR, council tax and sales ledger;
- (iv) Recommend that Council approves the draft Efficiency Strategy in Appendix 4 and delegates authority to make final changes to reflect guidance and best practise as it continues to develop to the Managing Director after consultation with the Leader and Cabinet Member for Council Finance & Service Delivery

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 2016/17 at 31/3/17.	
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 2016/17 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 medium to lower risk.

4.2 The overall 2016/17 budget position is summarised in the table below:

Service Area	Current Variation
	£
Business, Development & Employment	0
Finance & HR	(1,375,000)
Cooperative Council Team	0
Children's Safeguarding	1,091,994
Education & Corporate Parenting	340,817
Early Help & Support	4,002,947
Legal, Procurement & Commissioning	(74,989)
Health & Wellbeing	89,877
Customer & Neighbourhood Services	(336,720)
Commercial Services	280,000
Council Wide	(649,000)
Total Projected Variation	3,369,926
Use of Contingency	(3,369,926)
Total Projected Underspend	0

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

Service Area	Variance £m
<u>Business, Development & Employment</u>	
There are no variances over £100k to report.	
<u>Finance & HR</u>	
Treasury –this includes the benefit arising from current low interest rates and lower borrowing than anticipated in the earlier part of the year.	-1.500
Employee Costs – shortfall in delivery of saving target due to the retention of some essential user allowances and phasing-in of reductions to mileage rates resulting in a part-year impact in 2016/17.	+0.125
<u>Cooperative Council Team</u>	
Detailed monitoring has not yet been undertaken for this Service Area in accordance with the risk based monitoring approach adopted by the Council.	

<u>Children's Safeguarding & Independent Review</u>	
Children in Care Placements (CiC) – currently projecting £1.375m overspend in 2015/16 which compares to £1.7m reported at year end. The Service is developing a cost improvement plan for 2016/17 to assess placement costs which will include reviewing unit costs, the numbers of children in care and the placement strategy.	+1.375
Internal Foster Carer Costs – payments to Foster Carers including transport costs and foster carer training.	+0.142
Staffing (Safeguarding) – includes the cost of agency social workers.	+0.221
Care Leavers Accommodation Costs – projecting to be under budget which is based on activity levels.	-0.167
One off Service Balances – use of one off service balances to support Safeguarding pressures.	-0.500
<u>Education & Corporate Parenting</u>	
Education Psychology Service – savings target not fully met.	+0.105
Early Years & Childcare – impact of restructure savings being delivered for only part of the year during 2016/17.	+0.105
<u>Early Help & Support</u>	
Purchasing budgets – the pressure experienced during 2015/16 is continuing in 2016/17. A cost improvement plan is being developed which includes a number of strategies to reduce demand and deliver care differently which should result in lower costs. At this stage there has been limited progress and there is continued inflationary pressure on unit costs in some areas.	+6.211
Contingency – included in the budget strategy for 2016/17 and 2017/18 to allow time for the service delivery changes to embed.	-2.500
Income – largely relates to a shortfall of income generated from the CCG for Joint Funded Packages of Care delivered to clients with a Health Care need.	+0.135
Transport – a review group has been set up to look at ways to reduce expenditure and identify a more robust transport	+0.115

policy which is linked to the changes to the delivery of the provision of care.	
Social Work Prevention & Support – staff savings delivered as part of overall restructure savings below.	+0.301
Children, Family Location Services - staff savings delivered as part of overall restructure savings below.	+0.370
Cohesion – savings relating to vacant posts.	-0.100
Housing Properties – additional income due to higher than anticipated occupation rates and service charges.	-0.115
Restructure Savings – estimated saving from planned restructure; this is a part year impact based on launching in September 2016 and implementing in January 2017.	-0.400
<u>Legal, Procurement & Commissioning</u>	
There are no variances over £100k to report.	
<u>Health & Wellbeing</u>	
There are no variances over £100k to report.	
<u>Customer & Neighbourhood Services</u>	
Concessionary Travel – saving relating to a predicted reduction in passenger numbers.	-0.168
<u>Commercial Services</u>	
ICT – pressure mainly arising from the increased number of Microsoft licenses required across the council.	+0.280

CONTINGENCIES

- 5.1 The 2016/17 budget includes a prudent general contingency of £3.222m, 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 £2.201m which forms part of the approved revenue budget and will only be allocated to specific budgets when the relevant inflation information is 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:

	£'000
General Revenue Contingency	3.222
Inflation Contingency	2.201
Total Contingencies	5.423
Proposed use:	
Resources required in relation to the recommendations from the Scrutiny Review of Child Sexual Exploitation (16/17 is a part year impact; the full cost is £0.150m which will be included in the 17/18 budget strategy)	0.100
Commitments:	
Required to meet the current revenue overspend	3.370
Residual Balance	1.953

Currently £3.4m of the contingency is required to bring spend within budget in 2016/17 and £0.1m is committed. This leaves just under £2.0m available to meet any unforeseen costs in the remainder of the year.

6.0 CAPITAL

6.1 2016/17 Capital Programme

The capital programme totals £97.3m, 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 £87.6m (reflecting likely requirements for some further slippage of spend into later years in future reports).

Service Area	Current Budget	Spend to Date	% Spend	Year End Projection
	£m	£m		£m
Early Help & Support	1.0	0.0	0%	0.3
Business, Development & Employment	35.4	3.4	10%	31.3
Customer & Neighbourhood Services	35.3	0.6	2%	32.2
Education & Corporate Parenting	13.2	1.7	13%	13.1
Health & Well-Being	0.6	0.0	0%	0.6
Legal Procurement & Commissioning	0.1	0.0	0%	0.1
Finance & Human Resources	0.3	0.0	0%	0.0
Commercial Services	5.6	0.7	13%	4.1
Council Wide	5.8	0.0	0%	5.8
Total	97.3	6.4	7%	87.6

6.2 Some new allocations, virements and slippage are identified for approval which are detailed in Appendix 3.

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 above target. Cash collection remains in a very strong position in all three areas.

INCOME COLLECTION – May 2016				
	Actual	Target	Performance	Change in cash collected on last year
Council Tax Collection	19.54%	19.48%	0.06% ahead of target	+£957,297
NNDR Collection	25.21%	23.20%	2.01% ahead of target	+ £1,882,761
Sales Ledger Outstanding Debt	6.29%	5.95%	0.34% behind target	+£7,227,232

7.3 **Council Tax (£74.5m)**

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 is normally around 99%.

Year end performance 2015/16	97.1%
Year End Target for 2016/17	97.1%

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

Month End Target	Month End Actual	Last year Actual
19.48%	19.54%	19.48%

Council Tax collection is above target for May. The number of properties subject to council tax has grown by 1407 since this point last year, and the amount which the Council needs to collect in council tax is £4.7 million more than May 2015.

7.4 NNDR-Business Rates (£76.8m)

The % of business rates for 2016/17 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 2015/16	98.3%
Year End Target for 2016/17	98.3%

Month End Target	Month End Actual	Last year Actual
23.20%	25.21%	23.20%

Collection is significantly above target for May 2016, but this is largely due to Telford and Wrekin payments received earlier than last year. Taking this into account, collection is on target.

7.5 Sales Ledger (£40.5m)

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 2016/17 are as follows:

Age of debt	Annual Target %	May 2016	
		£m	%
Total	5.95	2.55	6.29%

Sales ledger performance has improved over the last 12 months and we have set a stretch target this year to continue this improvement trend. We're just outside target at the moment, but have improved when comparing the performance to 12 months ago.

8.0 PREVIOUS MINUTES

03/03/16 – Council, Service & Financial Planning Strategy

16/06/16 - Cabinet, Service & Financial Planning Report – 2015/16
Outturn and 2016/17 Update

9.0 BACKGROUND PAPERS

2016/17 Budget Strategy / Financial Ledger reports

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