

TELFORD & WREKIN COUNCIL

**CABINET – 29 JUNE 2017
COUNCIL – 20 JULY 2017**

SERVICE & FINANCIAL PLANNING REPORT – 2016/17 OUTTURN AND 2017/18 UPDATE

REPORT OF THE ASSISTANT DIRECTOR: FINANCE & HR (CHIEF FINANCIAL OFFICER)

LEAD CABINET MEMBER: CLLR LEE CARTER

PART A) – SUMMARY REPORT

1.0 SUMMARY OF KEY ISSUES

1.1 2016/17 General Fund Revenue Financial Outturn

The Council has actively managed its budget during 2016/17 and despite some areas of significant pressure, has ended the year in a very positive financial position. This will not only assist in 2017/18 but allows some one-off investments in key areas to drive forward improvement and fund developments. Going forward this will result in a more sustainable financial strategy and provide benefits to the Community.

The gross revenue budget for 2016/17 was £433m and the net budget was £122m. The revenue outturn position is within budget with a final net underspend of £0.166m (which is equivalent to only -0.1% of net budget) after the proposed transfers to reserves and balances have been made. This position has been achieved after delivering £16m of budget savings in 2016/17, on top of the £80m made in the previous 7 years. Savings are now equivalent to £1,300pa for every home in the borough.

Despite the Government's Four Year Grant Settlement, the funding outlook for the medium term is still very uncertain due to the current review of the Business Rates Retention Scheme which is underway. This is the most significant and fundamental change to local government financing in recent times and encompasses reviewing the Relative Needs formulae and moving to 100% Business Rates Retention combined with the transfer of extra responsibilities and Functions to local authorities. Currently the design of the new system is subject to consultation and no detailed information for individual authorities is likely to be known until late 2018. It is therefore not possible to have any real certainty on the further cuts that the Council will face, however it is anticipated that we will need to identify in the region of an additional £30m over the period 2017/18 to 2019/20. This would bring the total savings to around £130m by the end of this period. However, as stated earlier, there are so many changes

proposed to the local government finance system that the position for future years is very difficult to assess at the current time.

Due to the strong financial management exercised by Cabinet Members and budget holders during 2016/17, the Council has been able to create a number of provisions from the 2016/17 outturn position to support its priorities and sustain its financial position going forward.

These include:

- £0.75m for investment in Estate Car Parking;
- £0.6m to fund a further two years of the Job Box and Life Ready Work Ready Programme to reduce the number of NEET young people and unemployed;
- £0.5m to create a High Street Fund providing a range of developments including: CCTV, Wi-Fi, pavement and road improvements, lighting, supporting take-up and growth of empty retail units;
- £0.4m for the development of Madeley Sports Hub;
- £0.1m to fund a programme of improvements and upgrades to Rights of Way.

Our pro-active approach secured a number of favourable variations during the year which contributed to the overall positive position.

These included:

- A benefit totalling £4m has been delivered from Treasury Management 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. Clearly at some point the Council will need to start to lock in to longer term fixed rates but to do this before longer term interest rates start to increase incurs a “cost of carry” compared to the current strategy although there is a risk that longer-term fixed rates (as opposed to base rates) may start to move upwards quickly at some point. This position is monitored regularly by senior finance staff and advice is taken from the Council’s external treasury management advisors to try to manage this risk as far as possible whilst seeking to maximise short term gains.
- A one off benefit of £0.6m following the final winding-up of Transforming Telford Ltd.
- A one off benefit of £0.7m from updating sinking fund requirements for Private Finance Initiative commitments.
- Close management of employee budgets during the year has resulted in savings totalling just under £1.9m relating to vacant posts, many of which are one off savings linked to planned future service restructures

The main pressures experienced during 2016/17 were:

- **Early Help & Support** ended the year with a service overspend of £3.9m. As reported throughout the year, the cost of purchasing care packages from external providers was the key issue with an overspend of £6.1m. One off balances of £0.2m and a specific contingency set aside as part of the budget strategy of £2.5m partly offset the overspend. The Council has invested £4.4m in Adult Social Services in 2017/18 and is committed to effectively meeting the assessed needs of vulnerable adults in the borough. A further £6.8m funding over the next three years was also announced in the Chancellor's Spring Budget for Adult Social Care reflecting the fact that this is a national pressure and funding issue. However, these services comprise a large proportion of the council's overall budget and will need to contribute significantly to the overall savings requirement.
- **Children's Safeguarding** ended the year with a service overspend of £4.1m. This was a combination of the cost of Children in Care Placements, which had an overspend of £3.5m at year end, and other service overspends including the cost of using agency staff; these were offset by the use of one off balances of £0.5m. The Council has invested £4.8m in the Safeguarding in 2017/18 highlighting the very high priority placed on safeguarding children. However, as above, these services comprise a large proportion of the council's overall budget and will need to contribute significantly to the overall savings requirement.

1.2 **2016/17 Capital Outturn.**

Capital spend ended the year at £73.7m against an approved estimate of £87.1m which was in the main due to re-phasing expenditure into 2017/18. This underspend will result in some further treasury management savings to be made in 2017/18.

1.3 **Income Monitoring**

Overall cash collection is in a good position. Collection rates for Council Tax (£75m) and Business Rates (£76m) were ahead of the target for the year and Sales Ledger Income (£37m) was slightly behind. Sales ledger income has increased considerably in recent years as the Council adopts an increasingly commercial approach and has successfully expanded many income sources including new trading with schools outside the borough. In addition to sales ledger income the Council has also implemented a number of initiatives that deliver a direct net income stream to its revenue budget, these include the solar farm and NuPlace. All debt is pursued rigorously and continues to be collected after the end of the financial year with all appropriate recovery avenues being pursued.

1.4 **NuPlace Ltd**

2016/17 was the second year of operation for NuPlace Ltd, the Council's wholly owned housing investment company. NuPlace is a separate legal entity and as such prepares its own accounts but as NuPlace is wholly owned by the Council consolidated group accounts are also prepared. The unaudited accounts show that NuPlace generated an operating profit before taxation of £0.274m in 2016/17 but as expected no dividend was distributed. The Council

also received income from NuPlace totalling £0.529m during 2016/17 net of additional interest and marginal costs.

1.5 General

The draft formal statement of accounts will be considered at the Audit committee on 27 June 2017 and audited by KPMG, the Council’s external auditors during July. The accounts will also be available for public inspection for 30 working days from 19 June 2017.

1.6 Summaries of the outturn on revenue and capital along with major variations are shown as appendices to this report.

1.7 2017/18 Update

The Council faces another very challenging year in 2017/18 and a number of key issues are already highlighted in this first high level review of the budget position. Once the final accounts are completed more detailed new year monitoring will take place and a further, more detailed, report will be brought to the July meeting of the Cabinet with an updated position.

2.0 RECOMMENDATIONS

2.1 Cabinet Members are asked to approve the following recommendations which will go forward to Full Council for final approval:

- (i) to approve:
 - the Revenue outturn position for 2016/17 and related virements in Appendix 3 which is subject to audit by the Council’s external auditors;
 - the transfers to reserves and associated approval to spend the reserves as detailed in section 5 and Appendix 2;
 - the supplementary revenue estimate in relation to the additional Adult Social Care Grant announced after the Council’s budget was set detailed in para. 9.1.
- (ii) To approve the Capital outturn position and related supplementary estimates, re-phasing and virements shown in Appendix 4 and as summarised in the report.
- (iii) To note the performance against income targets.
- (iv) To note the key issues identified for 2017/18

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. Financial management ensures best use of resources.

TARGET COMPLETION/DELIVERY DATE	Outturn forms the basis of the formal statement of accounts which will be presented to the Audit Committee in draft format at the end of June, are audited during July and the final version of which will be published by the end of September following consideration by the Audit Committee.	
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 to take action if overspends /shortfalls emerge. There is a requirement to publish the audited Statement of Accounts by the end of September and the draft accounts should be presented to the Audit Committee before the end of June.
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	
IMPACT ON SPECIFIC WARDS	No	Borough Wide

PART B) – ADDITIONAL INFORMATION

4.0 2016/17 REVENUE BUDGET

4.1 The Council had a gross revenue budget of £433m for 2016/17 and the final net revenue outturn position is as follows (a more detailed summary is provided in Appendix I):

	£m
Net Budget	122.278
Net Expenditure	122.112
Net Underspend	-0.166
Percentage Net Variance	-0.14%

4.2 Variations by Service Delivery Unit are summarised below and further detail is provided in Appendix 2.

Service Area	Service Budget	Service Outturn	Service Variation
Development Business & Employment	(163,536)	(535,686)	(372,150)
Finance & Human Resources	8,411,791	3,416,150	(4,995,641)
Cooperative Council Team	1,446,541	1,255,998	(190,543)
Children's safeguarding	22,052,836	26,143,713	4,090,877
Education & Corporate Parenting	5,100,637	5,157,485	56,848
Early Help & Support	42,592,082	46,488,265	3,896,183
Legal, Procurement & Commissioning	3,578,679	3,049,172	(529,507)
Health & Wellbeing	1,839,839	1,720,723	(119,116)
Customer & Neighbourhood Services	29,048,816	28,339,363	(709,453)
Commercial Services	49,241	44,890	(4,351)
Council Wide	8,321,684	205,070	(8,116,614)
Transfers to Reserve	0	6,827,000	6,827,000
Total	122,278,610	122,112,143	(166,467)

This table shows the position for each service area after the allocation of funds to Council priorities as detailed in section 5.3 of this report. Particularly good performance in a number of service areas including Commercial Services where additional income, early delivery of savings enabled funding for a upgraded cashless catering system to be identified and underspends in Customer & Neighbourhood Services have enabled funding to support Engineering Services to be set aside.

The figures in the table show only the service variation and exclude variances on asset rentals and pension accounting entries which are "non-controllable" accounting entries. The detailed analysis of all variances is shown in Appendix 2.

4.3 Service variances over £0.100m are highlighted below.

Service Area	Variance £m
<p><u>Business, Development & Employment</u></p> <p>Skills – National Careers Contract; benefit from contract changes resulting in additional one off income and more effective service delivery.</p> <p>Development Management – Planning Determination; cost of planning appeals</p> <p>Development Management – employee cost saving due to vacant posts.</p>	<p>-0.144</p> <p>+0.152</p> <p>-0.116</p>
<p><u>Finance & HR</u></p> <p>Treasury –this includes the benefit arising from current low interest rates and lower borrowing than anticipated in the earlier part of the year.</p> <p>PFI Sinking Fund – Updated sinking fund assumptions to reflect current projections.</p>	<p>-4.011</p> <p>-0.700</p>
<p><u>Cooperative Council Team</u></p> <p>There are no variances over £100k to report.</p>	
<p><u>Children’s Safeguarding & Independent Review</u></p> <p>Children in Care Placements (CiC) –£3.489m overspend in 2016/17 which compares to £1.7m reported at 2015/16 year end. The total number of Looked After Children at the end of the year was 381 which is an increase of 82 within the financial year. Considerable investment has been made in this area as part of the 2017/18 budget strategy and the service has a 4 year placement model in place to manage costs.</p> <p>Internal Foster Carer Costs– payments to Foster Carers including transport costs and foster carer training.</p> <p>Staffing (Safeguarding) – includes the cost of agency social workers.</p> <p>One off Service Balances – use of one off service balances to support Safeguarding pressures.</p> <p>Assessment – the overspend reflects a significant increase in the volume of activity ie. Children in Need and Child Protection Plans</p> <p>Legal – the overspend reflects an increase in the volume of activity and an increase in the use of external barristers.</p>	<p>+3.489</p> <p>+0.158</p> <p>+0.512</p> <p>-0.500</p> <p>+0.271</p> <p>+0.152</p>

Service Area	Variance £m
<p><u>Education & Corporate Parenting</u></p> <p>Specialist Services – savings target not fully met. +0.104</p> <p>Advisory Management/School Improvement traded Advisory Service – shortfall against additional income target; the position will be kept under review as the impact of new arrangements following restructure becomes clearer. +0.221</p> <p>School Transport – the overspend relates to 2016/17 savings targets not currently being achieved together with an increase in the number of high needs students requiring transport. +0.111</p> <p>Education Services Grant – fewer academy conversions than forecast resulting in less grant being lost. -0.212</p> <p>Contribution from Reserves – one off balances -0.200</p>	
<p><u>Early Help & Support</u></p> <p>Purchasing budgets – the pressure experienced during 2015/16 is continued in 2016/17. A cost improvement plan is in place which includes a number of strategies to reduce demand and deliver care differently which should result in lower costs. +6.121</p> <p>Contingency – included in the budget strategy for 2016/17 and 2017/18 to allow time for the service delivery changes to embed. -2.500</p> <p>Income – higher numbers in residential and nursing care than anticipated has resulted in higher client contributions during 2016/17. -0.579</p> <p>Other Income – largely relates to a shortfall of income generated from the CCG arising from an agreement to Joint Fund Packages of Care. +1.335</p> <p>Employee Costs – savings from vacancies held in year pending the service restructure. -0.467</p> <p>Transfer to Reserves in relation to Better Care Fund Pooled budget and other CCG arrangements +0.816</p> <p>Use of One off Resources identified -0.200</p>	
<p><u>Legal, Procurement & Commissioning</u></p>	

Service Area	Variance £m
Employee and Team Budgets – linked to vacancies in the Procurement and Contracts team.	-0.332
<u>Health & Wellbeing</u>	
Living Well Support Services – vacancies have been carried within the provider services for Healthy Trainer and healthy Lifestyle Hub.	-0.109
Public Health Commissioned – grant income applied to Public Health Devolved Services	+0.313
Contribution from Public Health Reserve	-0.129
Transfer to Reserves – required for the re-commissioning of Drugs and Alcohol Recovery Service and to support Social Prescribing Neighbourhood working.	+0.210
<u>Customer & Neighbourhood Services</u>	
Structures & Geotechnics – shortfall against income target due a number of fee earning posts being vacant restricting fee earning opportunities.	+0.185
Structures & Geotechnics – employee savings due to vacant posts.	-0.102
Transfer to Reserves – to cover shortfall in the above income target pending the outcome of a service review.	+0.150
Highways Footway Lighting – reduction in spend against planned maintenance due to planned upgrade of street lights in 2017/18	-0.185
Concessionary Travel – reduction in the number of concessionary passes being issued.	-0.125
Benefits Service – additional government grant received in respect of Welfare Reforms.	-0.188
Housing Benefit Subsidy – reduced costs arising from proactive review work leading to recovery of overpayments and reduced ongoing benefit costs.	-0.107
<u>Commercial Services</u>	
ICT – pressure arising from a combination of factors including: the increased number of Microsoft licenses required across the	+0.316

Service Area	Variance £m
council; storage and back-up costs and purchase of equipment all required as the use of technology grows.	
Employee Costs – one off capitalisation of salary costs relating to ICT projects.	-0.124
Facilities Management – one off saving due to vacancies and part year impact of restructure	-0.112
Property & Design – benefit from early closure of properties together with reduced spend on repairs and maintenance and utilities.	-0.139
Transfer to Reserves – to fund a replacement schools cashless catering system.	+0.175

4.4 Public Health.

Responsibility for Public Health transferred to the Council from the NHS in April 2013 together with the associated specific ring-fenced grant funding. In 2016/17 this grant totalled £12.98m. The conditions of the grant are that it must be used to address health needs and improve health and well-being in the community. Improving public health outcomes is delivered across a number of Service Areas and a summary of the application of the grant in 2016/17 is shown in the table below:

	£
Public Health Reserve (grant bwfd from 15/16)	178,119
Public Health Grant 2016/17	12,983,260
Total Funding	13,161,379
<u>Application of Funding in 2016/17</u>	
Health & Well Being	9,882,431
Children's Safeguarding	103,816
Commercial Services	342,342
Co-Operative Council	14,197
Customer & Neighbourhood Services	148,406
Development, Business & Employment	479,988
Early Help & Support	742,177
Education & Corporate Parenting	186,951
Governance, Procurement & Commissioning	894,716
Council Wide	107,416
Total Spend	12,902,440
Grant cfwd to 2017/18	258,939

The majority of the 2016/17 grant was allocated to Services during the year, with the exception of £0.21m which was carried forward to 2017/18. Of the £0.178m grant brought forward from 2015/16, £0.129m was applied in 2016/17 leaving £0.049m. Overall, including the balance carried forward to 2017/18 in accordance with the grant conditions, the grant was fully spent in 2016/17.

5.0 **RESERVES & BALANCES**

5.1 The main General and Special Fund balances were £4.491m at 31st March 2016. As part of the budget process a further risk based evaluation of all balances will be undertaken to provide an updated view of balances available for the budget strategy.

5.2 The position on the main General and Special Fund Balances is now:

	£m
Balances at 1 st April 2016	4.491
Contribution to General Fund Balances	0.166
Balances at 31st March 2017	4.657

The General/Special Fund balance forms part of the Council's overall reserves and balances.

In addition to the General and Special Fund Balances, the Council holds a number of contingencies and service balances available to support services in 2017/18. These include:-

- £2.500m specifically set aside to support Early Help & Support services,
- £2.776m general contingency to provide further support to Adults and children's safeguarding or for other services if required.
- £9.7m additional contingency to support the medium term strategy

5.3 The following specific transfers to reserves are proposed and included in the outturn position:-

	<u>£m</u>
• Estate Car parking improvements	0.750
• Skills – additional funding to build on the Job Box and Life Ready Work Ready Programme. This will provide a further two year	0.600

	<u>£m</u>
resources to continue activities to reduce the number of NEET young people and unemployment.	
• High Street Fund – to create a £700k fund to cover a range of developments including: CCTV, wifi, pavement and road improvements, lighting, supporting take-up and growth of empty retail units.	0.500
• Madeley Sports Hub – funding towards the sports hub development	0.427
• Southwater public realm development	0.400
• Events – funding to support events during the 50 th Anniversary of Telford	0.200
• Commercial Catering – funding for an upgraded schools cashless catering system	0.175
• Public Health – funding to pilot a community prescribing project; referring patients to a range of local, non-clinical services and where appropriate managing demand away from council services	0.150
• Engineering Services – funding to support the service pending the outcome of a service review and restructure	0.150
• Campaigns – to support initiatives for the Community benefit such as environmental initiatives, behaviour change and encouraging greater take up of digital channels	0.100
• Rights of Way – improvements and upgrades	0.100
• Partnership Capacity Fund – contribution as agreed in the budget strategy to support capacity in the community	0.095
• Public Health – transition funding required to re-commission substance misuse services during 2017/18	0.060
• Organisational Development – funding to support the workforce through training and development	0.056
• Early Help & Support – funding contribution towards a joint working approach: Transforming Care Partnership to support people with learning disabilities/autism	0.037
• ICT – funding to support the implementation of the new intranet and e-team sites which are integral to new ways of working	0.035
• Telford Town Park – funding for the replacement and safety of the High Ropes equipment in the Town Park	0.030
• Public Protection – funding for consultation in relation to potentially adopting a selective licensing scheme	0.025
• Library Services – funding required to meet commitments as part of the transfer of service provision to Parishes	0.020
Total	3.910

5.4 The overall position also includes transfers to the Invest to Save/Capacity Fund of £2m. This fund is integral to delivery of the council's agenda funding one-off costs necessary to achieve long term financial sustainability and meeting significant resource pressures, examples include homelessness £0.076m as referred to in a separate report on this agenda and £0.080m for ensuring that

the Council maintains robust cyber security arrangements; and the Severance Fund of £1.75m as funding will need to be in place once the Government's temporary freedom to capitalise severance costs ceases.

6.0 2016/17 CAPITAL PROGRAMME

6.1 The capital programme for 2016/17 totalled £87.08m; spend at year end was £73.67m giving a year end variation of £13.41m which is summarised in the table below:

Service Area	Budget	Spend	% Spend	Year End Variance
	£m	£m	£m	£m
Early Help & Support	0.97	0.05	5%	-0.92
Health & Wellbeing	0.76	0.34	45%	-0.42
Development Business & Employment	28.77	24.11	84%	-4.66
Customer & Neighbourhood Services	28.03	29.14	104%	+1.11
Education & Corporate Parenting	15.39	10.31	67%	-5.08
Commercial Services	6.75	4.17	62%	-2.58
Legal Procurement & Commissioning	0.13	0.14	104%	0.01
Cooperative Council	0.30	0.15	51%	-0.15
Finance & Human Resources	5.98	5.26	88%	-0.72
Total	87.08	73.67	85%	-13.41

Note: The budget includes the new allocations, slippage and virements detailed in Appendix 4

6.2 The main scheme re-phasing to 2016/17 are shown below with detail included in Appendix 4.

	£m
<u>Early Help & Support</u>	
Children's and Adults ICT System Review-rephasing of programme following procurement exercise	-0.92
<u>Health & Wellbeing</u>	
Telford After Care Team – slippage in timing of building purchase for substance misuse	-0.39
<u>Development, Business & Employment</u>	
Property Investment Programme – acceleration in spend on Growth Fund investments	+1.09
Superfast Broadband – spend re-profiled by delivery partners; fully committed in 17/18	-2.10

Housing Investment- 2 sites completed, Contract awarded for further 2 sites; programme rephased	-1.35
HCA Land Deal – rephasing of spend and profit share	-1.39
Capital Receipts Site Preparation –linked to disposals in year	-0.35
Town Centre – re-profile of spend in line with delivery of commercial investments in Southwater	-0.20
<u>Customer & Neighbourhood Services</u>	
Telford Growth Package – delivery of key roundabout improvements supporting Growth package delivery	+0.64
Town Centre Connectivity –rephasing of Town Centre dualling works	+0.55
<u>Education & Corporate Parenting</u>	
Building Schools for the Future – slippage of spend, fully committed in future years	-3.78
Early Years Capital Grant – late government allocation, slipped to 17/18 and fully committed	-0.74
Short Breaks for Disabled Children – delay in spend, all fully committed	-0.16
<u>Commercial Services</u>	
ICT – reprofiling of corporate development projects.	-0.59
Supporting Independent living, disabled facilities grant – slippage to future years	-0.65
Housing – Green Deal Communities fund uncommitted grant	-0.31
Wellington Fitness – delay in scheme design and extended consultation period	-0.23
St Georges regeneration – project rephased following consultation with external parties	-0.27

Asset management plan, general works and surveys – urgent works delayed main programme, all fully committed in future years	-0.23
<u>Co operative Council & Commercial Delivery</u>	
Every day Telford, Pride in Your Community – fully committed to future years	-0.15
<u>Finance & Human Resources</u>	
Efficiency Schemes Capitalisation	-0.63

6.3 There are a number of new approvals and virements which are also detailed in Appendix 4 and require formal approval.

6.4 Appendix 5 includes details of Education Section 106 agreements agreed during 2016/17.

7.0 NUPLACE

7.1 2016/17 was the second year of operation for Nuplace Ltd, the Council's wholly owned housing investment company. The principal activity of which is the procurement of the construction and management of private and affordable residential property. During the period the company successfully completed the construction of 2 sites at Fishermans Walk, Randlay and Holybush Road, Madeley and all 132 properties were successfully let. Land at a further 2 sites within the Borough of Telford and Wrekin was purchased at Matlock Avenue, Dawley, and Court Street, Madeley, and construction contracts were let for the delivery of a further 100 units for private market rent. The construction of these sites remains on schedule for delivery of the units within the financial year ended 31 March 2018, and the activity of pre-lets for these sites is strong.

7.2 Nuplace Ltd is a separate legal entity and as such will prepare its own Statement of Accounts and comply with company regulations. The accounts will continue to be audited by KPMG, who also audit the Council's accounts. As Nuplace is wholly owned by Telford & Wrekin Council, the Council is required to prepare Group Accounts as part of its Statement of Accounts for 2016/17 which will consolidate the Council and Nuplace's financial position.

7.3 As anticipated, no dividends were distributed at the end of 2016/17 and as the company ended the year with an operating profit before taxation of £0.274m. It should be noted that the Council has received income totalling £0.529m from Nuplace during 2016/17 net of marginal interest and other costs which is a combination of interest paid relating to the loan agreement and services Nuplace purchased from the Council. The Council will also benefit from additional Council Tax, and New Homes Bonus as Nuplace properties are completed.

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 for council tax and NNDR is above target. Cash collection remains in a very strong position in all three areas.

INCOME COLLECTION – 2017 / 18				
	Actual	Target	Performance	Change in cash collected on last year
Council Tax Collection	97.45%	97.09%	0.36% ahead of target	+£4,688,580
NNDR Collection	98.49%	98.28%	0.21% ahead of target	+ £1,307,427
Sales Ledger Outstanding Debt	6.37%	5.95%	0.42% behind target	+£2,287,342

8.3 **Council Tax (£75.3m)**

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 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
97.09%	97.45%	97.09%

We have collected over £4.6million more in council tax this year compared to last year which is as a result of a decrease in Council Tax Support, growth in the number of domestic dwellings, and an increase in inflation, as well as an increase in collection.

8.4 **NNDR-Business Rates (£76.0m)**

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
98.28%	98.49%	98.28%

Business rates out turned at 98.49% which was an improvement in performance from 2016/17. We collected over £1.3million more than this time last year.

8.5 **Sales Ledger (£36.7m)**

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 %	March 2017	
		£m	%
Total	5.95	3.071	6.37%

Sales ledger performance is also slightly outside of target. Large invoices were outstanding at year end for the CCG which had a significant impact on year end performance statistics.

9.0 **2017/18 UPDATE**

The first detailed monitoring report for 2017/18 will be considered at Cabinet in July. However, this section of the report will give an early indication of some emerging issues for the new financial year, informed where relevant, by the closedown position reported above. Inevitably, early focus is on areas of potential pressure and managers are now taking action to seek ways to minimise these pressures and to identify ways to mitigate remaining issues.

9.1 **Revenue**

Safeguarding and Early Help & Support Services

Safeguarding and Early Help & Support Services will continue to be areas requiring close monitoring throughout the year. The key areas of concern being unit costs, complexity of care needs and numbers of Children in Care. Both services have cost improvement plans to assist in the management of cost levels as well as taking a proactive approach to address future changes in funding.

As mentioned earlier in the report the 2017/18 budget includes a contingency of £2.5m specifically for Early Help & Support and additional investment has been included in both areas.

The additional funding made available in the Chancellor's Spring Budget for Adult Social Care, totalling £6.8m over 3 years (which includes £3.519m in 2017/18) is put forward for approval as this was announced after the Council's budget was set. This will be spent in line with the Improved Better Care Fund (BCF) Grant conditions and is treated as a pooled budget as part of BCF.

Treasury Management

A benefit of £1.5m is currently predicted in relation to treasury management which is mainly due to reduced borrowing costs due to low short-term interest rates and rephasing of expenditure in to later years from 2016/17 as explained earlier in this report. This may vary throughout the year dependent on borrowing requirements.

Pension Inflation

The complex discussions as part of the triennial revaluation of the Shropshire Pension Fund were not concluded until after the budget was set. Through constructive discussions with the Actuary and fund administrators and taking advantage of a discount in return for prepayment at the start of the year, employers pension costs are estimated to be £1m lower than budgeted with further savings available in later years which.

General Inflation

RPI was 3.5% in April 2017 from 2.0% in September 2016 showing an increasing trend over the past 6 months. Although the budget includes an allowance for contractual inflation if this trend continues there is likely to be pressure on all services. The position will be monitored and it is suggested that the benefit from the Pension Inflation mentioned above is retained until further information is available.

Highways – Engineers Fee Income

The shortfall in fee income was £300k in 2016/17 and £150k was prudently set aside at year end to acknowledge the part year impact of the service review which will be implemented during 2017/18. The actual shortfall in 2017/18 will depend on the outcome of the review and the pressure may be higher than the amount set aside.

10.0 **PREVIOUS MINUTES**

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

Cabinet, Service & Financial Planning Report: 2015/16 Outturn and 2016/17 Update - 26/06/16

Cabinet, Financial Management Reports: 21/7/2016; 13/10/2016; 5/1/2017; 23/2/2017

Council, Financial Management Reports: 29/09/16; 24/11/16; 19/01/17

Council, Service & Financial Planning Strategy: 02/03/17

11.0 **BACKGROUND PAPERS**

2016/17 Budget Strategy and Financial Ledger reports

2017/18 Budget Strategy

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