

TELFORD & WREKIN COUNCIL

**CABINET – 13 OCTOBER 2016
COUNCIL – 24 NOVEMBER 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 £3.2m 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 an improvement on the previous report and reflects the strength of the financial management despite the level of savings taken out of budgets in 2016/17 and previous years. The aim is that senior managers will sustain this position and make further improvements where possible by year end

Despite the Government's commitment to give a Four Year Grant Settlement, the funding outlook for the medium term is still very uncertain due to the number of changes in the pipeline which sit outside the Revenue Support Grant process. 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. Work is currently underway to develop a range of options for further savings which will feed into the budget strategy next year. It is inevitable that many of these new savings proposals are likely to have greater front line service impacts than the savings made to date which have focussed on driving down staffing levels and other costs and improving efficiency within the organisation.

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 £2.5m 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. 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.
- 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 £3.7m, mainly relating to the cost of care packages. This is an improvement of over £03.m compared to the position reported in July. 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 £2.8m 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.

1.2 Capital

The capital programme totals £92.3m which includes all approvals since the budget was set. At the time of compiling this report projected spend was 93% of the budget allocation.

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

1.3 Corporate Income Collection

Sales Ledger and Business Rates collection are ahead of the targets set. The level of outstanding Council Tax 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;
- (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.

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 main changes since the last report are:

Variations - £m	Cabinet 21/7/16	Change	Current Projected Variation
Children in Care Placements – continued pressure relating to the cost of safeguarding vulnerable children.	+1.375	+1.277	+2.652
Safeguarding Assessments – increased costs associated with a significant increase in Parenting Assessments placed externally.	0.000	+0.228	+0.228
Early Help & Support – the ongoing cost pressure is lower than the previous report due to a reduced payment to the CCG relating to ALD contracts.	+6.211	-0.874	+5.337
Early Help & Support – shortfall which reflects reduced income from the CCG relating to Continuing Health Care costs.	+0.135	+0.945	+1.080
Early Help & Support – employee/restructure savings	+0.166	-0.410	-0.244
Waste & Neighbourhood – additional recycling costs due to increased tonnage from waste.	-0.056	+0.359	+0.303
Treasury Management – ongoing benefits arising from current low short-term interest rates and lower than anticipated borrowing requirement.	-1.500	-1.000	-2.500
Other Variations	-2.961	-0.689	-3.650
Total Projected Variation	+3.370	-0.164	+3.206
Call on Contingency	-3.370	+0.164	-3.206
Final Projected Variation	0.000	0.000	0.000

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

Service Area	21 July Cabinet Variation	Current Variation	Change
	£	£	£
Business, Development & Employment	0	0	0
Finance & HR	(1,375,000)	(2,553,384)	(1,178,384)
Cooperative Council Team	0	(85,242)	(85,242)
Children's Safeguarding	1,091,994	2,840,150	1,748,156
Education & Corporate Parenting	340,817	372,871	32,054
Early Help & Support	4,002,947	3,690,356	(312,591)
Legal, Procurement & Commissioning	(74,989)	(178,615)	(103,626)
Health & Wellbeing	89,877	8,689	(81,188)
Customer & Neighbourhood Services	(336,720)	(239,395)	97,325
Commercial Services	280,000	0	(280,000)
Council Wide	(649,000)	(649,000)	0
Total Projected Variation	3,369,926	3,206,430	(163,496)
Use of Contingency	(3,369,926)	(3,206,430)	163,496
Total Projected Underspend	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>Business, Development & Employment</u>	
Development Management & Planning Policy – net additional planning application income.	-0.100
Estates & Investments – shortfall relating to Property Investment Portfolio income and service charges.	+0.175
<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.	-2.500
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>	
There are currently no variances over £100k to report.	

<u>Children's Safeguarding & Independent Review</u> Children in Care Placements (CiC) – currently projecting £2.652m overspend in 2016/17 which compares to £1.7m reported at 2015/16 year end and an increase of £1.3m since the last monitoring report. 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. Internal Foster Carer Costs– payments to Foster Carers including transport costs and foster carer training. Staffing (Safeguarding) – includes the cost of agency social workers. Care Leavers Accommodation Costs – projecting to be under budget which is based on activity levels. One off Service Balances – use of one off service balances to support Safeguarding pressures. Assessment – the overspend reflects a significant increase in Parenting Assessments placed externally.	+2.652 +0.168 +0.266 -0.118 -0.500 +0.228
<u>Education & Corporate Parenting</u> Specialist Services – savings target not fully met. Advisory Management/School Improvement traded Advisory Service – shortfall against additional income target; the position will be kept under review as the service goes through reorganisation. School Transport – the overspend relates to 2016/17 savings targets not currently being achieved together with an increase in the number of students requiring transport. Education Services Grant – fewer academy conversions than forecast resulting in less grant being lost. Contribution from Reserves – one off balances	+0.266 +0.183 +0.158 -0.160 -0.200
<u>Early Help & Support</u> Purchasing budgets – the pressure experienced during 2015/16 is continuing in 2016/17. The cost has fallen since the last report which is due to a reduced payment to the CCG relating to ALD contract costs. 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. At this stage there has been limited progress although reductions in demand are generally being maintained.	+5.337

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 associated with Continuing Health Care costs.	+1.080
Transport – transport is being considered as part of the cost improvement plan as it is part of the policy relating to the future delivery of care.	+0.155
Social Work Prevention & Support/Children, Family Location Services/Cohesion/Youth & Innovation/Business Support & Management – staff savings arising from restructuring activity across these service areas.	-0.244
<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. Waste & Neighbourhood Services – additional recycling costs due to increased tonnage from waste.	-0.128 +0.303
<u>Commercial Services</u> ICT – pressure mainly arising from the increased number of Microsoft licenses required across the council.	+0.272

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
Commitments:	
Approved 21 June Cabinet: 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
Required to meet the current revenue overspend	3.206
Residual Balance	2.117

Currently £3.2m of the contingency is required to bring spend within budget in 2016/17 and £0.1m is committed. This leaves just over £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 £92.3m, 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 £86m (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 and Support	1.0	0.0	0%	0.3
Development Business & Employment	29.5	5.2	18%	27.4
Customer & Neighbourhood Services	34.0	3.7	11%	31.3
Education & Corporate Parenting	14.1	2.8	20%	14.9
Health & Well-Being	0.8	0.1	13%	0.7
Co operative Council & Commercial Delivery	6.0	0.0	0%	6.0
Legal Procurement & Commissioning	0.1	0.0	0%	0.1
Finance & Human Resources	0.3	0.0	0%	0.1
Commercial Services	6.6	1.5	23%	5.3
Total	92.26	13.3	14%	86.0

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

6.3 Capital receipt projections are currently in line with budget and treasury management assumptions.

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, NNDR collection and Sales Ledger Debt are above target whilst Council Tax collection is slightly behind target. Cash collection remains in a very strong position in all three areas.

INCOME COLLECTION – August 2016				
	Actual	Target	Performance	Change in cash collected on last year
Council Tax Collection	46.75%	46.94%	0.19% behind target	+£2,067,090
NNDR Collection	49.51%	49.17%	0.34% ahead of target	+ £672,178
Sales Ledger Outstanding Debt	4.42%	5.95%	1.53% ahead of target	+£3,846,840

7.3 Council Tax (£74.9m)

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
46.94%	46.75%	46.94%

Council Tax collection is behind target for August, but improvement has been made since July. The number of properties subject to council tax has grown by 1393 since this point last year, and the amount which the Council has to collect in council tax is £4.7 million more than August 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
49.17%	49.51%	49.17%

Collection is above target for August 2016 by 0.34%, and we have collected over £600k more than this point last year.

7.5 **Sales Ledger (£41.6m)**

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 to 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 %	August 2016	
		£m	%
Total	5.95	1.84	4.42%

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

21/07/16 – Cabinet, 2016/17 Financial Management Report

29/09/16 – Council, 2016/17 Financial Management Report

9.0 **BACKGROUND PAPERS**

2016/17 Budget Strategy / Financial Ledger reports

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