

TELFORD & WREKIN COUNCIL**CABINET – 5 JANUARY 2017
COUNCIL – 19 JANUARY 2017****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****2016/17 Revenue**

The net projected outturn position for 2016/17 is estimated to be within budget. This is after applying £2.5m 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. Any balance remaining in central contingencies at year end will be used to support the medium term service and financial planning strategy.

Overall the position is an improvement of £0.86m compared to the previous report which reflects the strength of financial management in a particularly challenging financial climate. The aim is that Senior managers will sustain the position and look to 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 £3.2m 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 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.
- Early Help & Support are currently projecting an overspend of £4.1m, mainly relating to the cost of care packages. This overspend has increased by £0.4m since the last monitoring on 13th October. 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 £3.8m being reported, the majority relating to the cost of Children in Care placements. The overspend has increased by £0.9m since the last report. A cost improvement plan is in place to review costs and the placement strategy.

Central Government have now confirmed that the Council is eligible for a Four Year Settlement however the funding outlook for the medium term is still uncertain due to the number of changes in the pipeline, such as changes to business rates and New Homes Bonus, which sit outside the Revenue Support Grant process. The Autumn Statement on 23 November gave an indication that the Government is committed to maintaining departmental spending plans at the levels announced in SR 2015; disappointingly there was no recognition of Adult Social Care pressures nor any mention of New Homes Bonus. Detailed information, including grant funding allocations, is now unlikely to be known until the Finance Settlement is announced mid-late December. Further, estimates of retained business rates income, which is complicated by the 2017 Rates Revaluation, will be firmed up late December/January once NDR1 returns and guidelines are available. However, it is anticipated that the Council will need to identify a further £15m-£20m savings by the end of 2019/20.

1.2 Capital

The capital programme totals £86.9m which includes all approvals since the budget was set. At the time of compiling this report projected spend was 94% of the budget allocation. A number of schemes are subject to significant external time limited contributions, arrangements are in place to ensure that particularly close monitoring of these projects is undertaken.

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

1.3 Corporate Income Collection

The level of outstanding Council Tax and Sales Ledger outstanding debt are slightly behind the target set for the year. NDR collection is ahead of target. However, in total £2.8m more cash has been collected to the end of November compared to the same point last year.

2.0 RECOMMENDATIONS

2.1 Members are asked to:-

- (i) Note that 2016/17 revenue spending is currently projected to be within budget and continue to work with SMT to sustain this position and approve the use of the central contingency detailed in section 5;
- (ii) Note the position in relation to capital spend and that Cabinet recommend that Council approve the new allocations and slippage detailed in Appendix 3
- (iii) 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 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 13/10/16	Change	Current Projected Variation
Children's Safeguarding – increased cost of placements	+2.652	+0.496	+3.148
Children's Safeguarding - increased cost, including agency social workers.	+0.266	+0.248	+0.514
Early Help & Support – the ongoing cost pressure is higher than the previous report due to an increased number of clients receiving care and the value of individual care packages	+5.337	+1.082	+6.419
Early Help & Support – shortfall which reflects reduced income from the CCG relating to care packages . The additional income is reflective of the increase in care packages and costs above.	+1.080	-0.326	+0.754
Early Help & Support – use of one-off resources	0.000	-0.200	-0.200
Customer & Neighbourhood – updated waste tonnage projections	+0.303	-0.172	+0.131
Customer & Neighbourhood – reduced level of income due to vacant income-generating posts.	0.000	+0.205	+0.205
Customer & Neighbourhood – reduced costs of housing benefit awarded due to active recovery of overpayments	0.000	-0.441	-0.441
Treasury Management – further benefit from current low short-term borrowing interest rates	-2.500	-0.700	-3.200
PFI – Updated sinking fund assumptions to reflect current projections.	0.000	-0.700	-0.700
Other Variations	-3.932	-0.357	-4.289
Total Projected Variation	+3.206	-0.865	+2.341
Call on Contingency	-3.206	+0.865	-2.341
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	13 Oct Cabinet Variation	Current Variation	Change
	£	£	£
Business, Development & Employment	0	(70,000)	(70,000)
Finance & HR	(2,553,384)	(4,138,317)	(1,584,933)
Cooperative Council Team	(85,242)	(99,800)	(14,558)
Children's Safeguarding	2,840,150	3,790,132	949,982
Education & Corporate Parenting	372,871	252,807	(120,064)
Early Help & Support	3,690,356	4,122,667	432,311
Legal, Procurement & Commissioning	(178,615)	(224,820)	(46,205)
Health & Wellbeing	8,689	44,949	36,260
Customer & Neighbourhood Services	(239,395)	(436,215)	(196,820)
Commercial Services	0	(160,000)	(160,000)
Council Wide	(649,000)	(739,976)	(90,976)
Total Projected Variation	3,206,430	2,341,427	(865,003)
Use of Contingency	(3,206,430)	(2,341,427)	865,003
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 – Property Investment Portfolio rental and service charge income totals £6.5m p.a. The shortfall currently projected relates to service charges for void properties.	+0.105
<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.	-3.200
PFI Sinking Fund – Updated sinking fund assumptions to reflect current projections.	-0.700

<u>Early Help & Support</u> Purchasing budgets – the pressure experienced during 2015/16 is continuing in 2016/17. The cost has risen since the last report which is due to an increase in the number of care clients being supported and some significant increases in individual packages of care. In addition some areas of care, but not all, are still experiencing upward price pressures. 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 although at this stage there has been limited progress. Contingency – included in the budget strategy for 2016/17 and 2017/18 to allow time for the service delivery changes to embed. Income – largely relates to a shortfall of income generated from the CCG arising from an agreement to Joint Fund Packages of Care. 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. Early Help & Support Restructure – staff savings arising from restructuring across the service area. Use of One off Resources identified	+6.419 -2.500 +0.754 +0.131 -0.248 -0.200
<u>Legal, Procurement & Commissioning</u> Strategic Procurement and Contracts and Quality – arises from a number of vacancies in this service	-0.103
<u>Health & Wellbeing</u> There are no variances over £100k to report.	
<u>Customer & Neighbourhood Services</u> Waste & Neighbourhood Services – additional recycling costs due to increased tonnage from waste; we are recycling more material than originally planned when the contract was let. Concessionary Travel – saving relating to a projected reduction in passenger numbers	+0.132 -0.109

Structures & Geotechnics – shortfall against income target due a number of fee earning posts being vacant restricting fee earning opportunities.	+0.205
Housing Benefit Subsidy – reduced costs arising from proactive review work leading to recovery of overpayments and reduced ongoing benefit costs.	-0.441
<u>Commercial Services</u>	
ICT – pressure mainly arising from the increased number of Microsoft licenses required across the council.	+0.272
Property & Design – benefit from early closure of properties together with reduced spend on repairs and maintenance and utilities.	-0.147
<u>Council Wide</u>	
Transforming Telford Balance – residual balance remaining following closure of the company.	-0.649
Employee Costs – shortfall in delivery of savings 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

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 less previously approved commitments	3.122
Inflation Contingency	2.201
Total Contingencies	5.323

Proposed Use:	
Resources required in 2016/17 to fund the delivery of the action plan arising from the Safeguarding Ofsted Inspection report in 2016/17 of £0.05 with ongoing costs of £0.2m included in the 2017/18 base budget and a one-off £0.15m for campaigns and marketing to be added to the current budget provision.	0.200
Required to meet the current revenue overspend	2.341
Residual Balance	2.782

Currently £2.3m of the contingency is required to bring spend within budget in 2016/17 and £0.2m is committed. This leaves £2.8m available to meet any unforeseen costs in the remainder of the year.

6.0 **CAPITAL**

6.1 **2016/17 Capital Programme**

The capital programme currently totals £86.9m. The financial position is shown in the table below which shows projected spend is currently shown at £82m (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	14.1	48%	27.9
Customer & Neighbourhood Services	28.0	8.6	31%	27.5
Education & Corporate Parenting	14.4	4.8	0%	13.4
Health & Well-Being	0.8	0.1	17%	0.8
Co operative Council & Commercial Delivery	0.3	0.1	33%	0.3
Legal Procurement & Commissioning	0.1	0.0	0%	0.1
Finance & Human Resources	6.1	0.1	1%	5.9
Commercial Services	6.7	2.5	37%	5.9
Total	86.9	30.3	35%	82.1

6.2 New allocations and slippage are detailed in Appendix 3 which will go forward to Full Council for approval as part of the next financial management report.

6.3 Capital receipts are projected to achieve target for the year.

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 – November 2016				
	Actual	Target	Performance	Change in cash collected on last year
Council Tax Collection	74.14%	74.49%	0.35% behind target	+£3,507,331
NNDR Collection	75.12%	74.69%	0.43% ahead of target	+ £1,330,633
Sales Ledger Outstanding Debt	6.80%	5.95%	0.85% behind target	-£2,028,827

7.3 **Council Tax (£75.2m)**

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
74.49%	74.14%	74.49%

Cash collection for council tax is £3.5 million higher than this point last year. Council Tax collection continues to be under target by 0.3% which has followed a similar trend since the start of the financial year. Percentage collection from CTS recipients is higher than last year, which indicates that the decline in collection rate for this year is due to non benefit customers; likely to be those that have fallen outside of the award of benefit support due to local and national changes.

7.4 **NNDR-Business Rates (£76.5m)**

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
74.69%	75.12%	74.59%

Business Rate collection has improved during November and is now ahead of target by 0.4%. Cash collected is £1.3m more than last year. Collection rates have fluctuated throughout the year.

7.5 **Sales Ledger (£33.7m)**

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 %	November 2016	
		£m	%
Total	5.95	2.29	6.80%

Sales ledger performance is outside of target but this is largely as a result of a few invoices which are outstanding with building firms where payment arrangements have been made for early next year.

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

13/10/16 – Cabinet, 2016/17 Financial Management Report

24/11/16 – Council, 2016/17 Financial Management Report

9.0 **BACKGROUND PAPERS**

2016/17 Budget Strategy / Financial Ledger reports

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