

TELFORD & WREKIN COUNCIL**CABINET – 4 JANUARY 2018
COUNCIL – 11 JANUARY 2018****2017/18 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 2017/18 Revenue**

The net projected outturn position for 2017/18 is estimated to be within budget. This is a very positive position, given that £13.8m savings were required to balance the 2017/18 budget, and currently leaves £3.7m uncommitted balance in the central contingency. Senior Managers will aim to sustain this position over the remainder of the year, so that the one-off contingency benefit is available to support the medium term budget strategy. However, there is still a quarter of the year left and potentially the Council could face significant financial pressures if, for example, the winter is particularly hard or if the NHS faces significant winter pressures.

Children's Safeguarding and Early Help & Support continue to be key areas of focus 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. The projections take into account the specific contingency of £2.5m earmarked in the 2017/18 budget strategy for Adult Social Care pressures and the £2.5m Improved Better Care Funding available.

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

- A benefit of £2.6m relating to Treasury Management activities - the majority of which relates to benefits from low interest rates for short term borrowing.
- Children's Safeguarding & Early Help is a key pressure with an anticipated requirement for £3.5m additional investment necessary this year which is an increase of £0.4m since the last report. This mainly relates to the cost of placements for Looked after Children and the cost of social workers. A four year model is in place which is designed to deliver efficiencies over the remainder of the year and medium term.

- Adult Social Care – current projections are that additional investment of £1.0m, mainly relating to the purchase of care packages, will be required this year compared to the original budget.

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 £13m already identified for 2017/18, so it is important that we maintain our excellent track record in managing budgets and maximise the position in 2017/18 which will assist in future years.

1.2 Capital

The capital programme totals £101.7m which includes all approvals since the budget was set. At the time of compiling this report projected spend was 98% of the budget allocation; actual spend was 42% which indicates that there will be a requirement for some re-phasing at year end.

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

1.3 Corporate Income Collection

Sales Ledger outstanding debt and Business Rates collection are ahead of targets set, while Council Tax collection is slightly behind target. Overall, the amount of cash collected is higher than at the same point last year. In total £2.2m more cash has been collected than at the same point last year.

2.0 RECOMMENDATIONS

2.1 Cabinet Members are asked to:-

- (i) Note that 2017/18 revenue spending is currently projected to be within budget and continue to work with SMT to sustain this position; and approve the updated contingency position detailed in para. 5.1 of the report.
- (ii) Note the position in relation to capital spend and Cabinet are asked to 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 2017/18 at 31/3/18.	
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 2017/18 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 shown in the table below:

Variations - £m	Cabinet 7/12/17	Change	Current Projected Variation
Children in Care Placements – continued pressure relating to the cost of safeguarding vulnerable children.	+1.926	+0.451	+2.377
Adult Social Care – purchasing of all types of care to eligible clients net of income including Improved Better Care Fund grant.	+1.576	+0.145	+1.721
Commercial Services – catering operations; pressure arising from inflation on food costs; menus are being reviewed to mitigate this in 18/19.	0.000	+0.183	+0.183
Treasury Management – reduced borrowing costs due to short term interest rates in the remainder of the year and likely rephrasing of capital programme	-2.500	-0.110	-2.610
Other Variations	-0.106	-0.244	-0.350
Total Projected Variation	+0.896	+0.425	+1.321
Use of Contingency	-0.896	-0.425	-1.321
Final Projected Variation	0.000	0.000	0.000

4.3 The overall 2017/18 budget position is summarised in the table below:

Service Area	Variation Cabinet 7 Dec	Change	Variation Cabinet 4 Jan
	£	£	£
Business, Development & Employment	(318,557)	(99,668)	(418,225)
Finance & HR	(2,947,581)	0	(2,947,581)
Cooperative Council Team	(147,704)	503	(147,201)
Children's Safeguarding & Early Help	3,057,890	392,528	3,450,418
Education & Corporate Parenting	529,461	26,663	556,124
Adult Social Care	1,005,765	29,786	1,035,551
Governance, Procurement & Commissioning	(63,381)	0	(63,381)
Health & Wellbeing	25,112	(28,781)	(3,669)
Customer & Neighbourhood Services	(140,548)	0	(140,548)
Commercial Services	(104,506)	104,506	0
Total Projected Variation	895,950	425,538	1,321,488
Use of Contingency	(895,950)	(425,538)	(1,321,488)
Final Projected Variance	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>	
Regeneration & Investment – net position relating to the Property Investment Portfolio & service charges which includes early delivery of income arising from Growth Fund Investment.	-0.426
<u>Finance & HR</u>	
Treasury Management – a benefit is currently reported due to reduced borrowing costs associated with short-term borrowing at very low interest rates. The position is regularly monitored by senior finance staff and the Council's external treasury management advisors and some longer term borrowing has been undertaken in the remainder of 2017/18 to manage the risk of interest rate exposure.	-2.610
<u>Cooperative Council Team</u>	
There are no variations over £100k to report.	
<u>Children's Safeguarding & Early Help</u>	
Children in Care Placements – considerable investment was made into this area as part of the budget strategy and the service has a 4 year placement model to ensure that the medium term strategy is delivered. The projected level of spend reflects known looked after children numbers and types and estimated duration of placements and the latest projections in relation to delivery of savings for the year.	+2.377
Staffing (Safeguarding) – includes the cost of agency social workers which have reduced in line with the Cost Improvement Plan; the Service aims to remove all agency workers by the end of the financial year.	+0.365
Legal – the projected level of spend reflects an increase in the volume of activity.	+0.152
Independent Review – the service has experienced difficulties recruiting to key posts which has resulted in the use of agency workers for a period of time.	+0.109

<u>Education & Corporate Parenting</u>	
Specialist Services – saving target not fully met; a restructure will be undertaken by the new Assistant Director which will deliver the balance of savings required.	+0.133
Advisory Management and School Improvement traded Advisory Service - This relates to a shortfall against the income target for this area which is to be addressed through a combination of reductions in expenditure across the whole service area and the generation of additional income in other traded areas where possible.	+0.170
School Transport – the projected level of spend relates to a saving target not yet delivered. Further work is being undertaken to meet the target.	+0.450
<u>Adult Social Care</u>	
Purchasing budgets – the service has a cost improvement plan aimed at reducing expenditure by managing prices and demand. The monitoring reflects current estimates of savings to be delivered and is net of Improved Better Care Fund grant income of £2.5m.	+1.721
Community Safeguarding & Social Work – employee related savings based on the current known structure.	-0.171
Community Early Help – employee related savings based on the current known structure.	-0.360
Service Improvement & Efficiency – employee related savings based on the current known structure.	-0.101
<u>Governance, Procurement & Commissioning</u>	
There are no variations over £100k to report.	
<u>Health & Wellbeing</u>	
There are no variations over £100k to report.	
<u>Customer & Neighbourhood Services</u>	
Engineering Service – following an independent service review of our Engineering Services Team a new structure with a reduced number of posts is currently being consulted on. The new structure will be recruited to in the new year which will reduce our operating costs and a revised income	+0.439

target has been agreed which will redress this in year budget challenge.	
Engineering Service – vacant posts as detailed above.	-0.193
Public Protection – staff savings from changes to the service implemented.	-0.132
<u>Commercial Services</u>	
Leisure Services – income shortfall at the Ice Rink due to a downturn in customers; further work is being undertaken to assess the reasons and the marketing plan is being reviewed to increase usage.	+0.113
Catering Services - inflationary pressure on food costs has resulted in a trading shortfall; menus will be revised in 18/19 to mitigate the impact on an ongoing basis.	+0.183

5.0 **CONTINGENCIES**

- 5.1 The 2017/18 budget includes a prudent general contingency of £3.386m, 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 £1.196m 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. children's 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	3.386
Inflation Contingency	1.196
Total Contingencies	4.582
Proposed change:	
Review of provisions which has identified uncommitted funds	-0.488
Commitments:	
Required to meet the current revenue overspend	1.321
Residual Balance	3.749

The current revenue position is a projected overspend of £1.321m which is a call on the contingency. This would leave £3.7m available to meet any unforeseen costs in the remainder of the year. Any underspend at the end of the year will support the budget strategy for 2018/19 and beyond. It should be noted that RPI was 4% in October 2017 from 2% in October 2016 showing an increasing trend over the past 12 months. If this continues there is likely to be pressure on all services and in particular major contracts; the position will be assessed over the remainder of the year. Successful negotiations as part of the triennial valuation of the Shropshire Pension Fund have resulted in employers' pension costs being around £1m lower than budgeted. This benefit will be retained until further information in relation to the overall inflation position is known.

As part of the 2017/18 budget process £9.7m was set aside in reserves to provide additional assurance to support both 2017/18 and the Medium Term Financial Strategy.

6.0 CAPITAL

6.1 2017/18 Capital Programme

The capital programme totals £101.7m, 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 £99.7m.

Service Area	Current Budget	Spend to Date	% Spend	Year End Projection
	£m	£m		£m
Development Business & Employment	52.20	23.3	45	52.20
Customer & Neighbourhood Services	22.41	9.4	42	22.41
Education & Corporate Parenting	10.22	5.1	50	10.22
Adult Social Care	1.15	0.0	0	0.90
Health & Well-Being	0.39	0.3	67	0.39
Cooperative Council & Commercial Delivery	2.10	0.0	0	2.10
Governance Procurement & Commissioning	0.54	0.0	5	0.54
Finance & Human Resources	4.73	0.8	18	3.10
Commercial Services	7.91	3.8	48	7.80
Total	101.65	42.7	42	99.66

6.2 Some new allocations 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, NNDR and sales ledger collection are above target, but council tax collection is slightly behind target. Cash collection has increased for all income streams compared to last year.

INCOME COLLECTION – November 2017				
	Actual	Target	Performance	Change in cash collected on last year
Council Tax Collection	73.75%	74.20%	0.45% behind target	+£2,881,663
NNDR Collection	75.29%	75.10%	0.19% ahead of target	-£805,113
Sales Ledger Outstanding Debt	4.04%	6.00%	1.96% ahead of target	+£114,078

7.3 Council Tax (£79.6m)

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 2016/17	97.45%
Year End Target for 2017/18	97.45%

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

Month End Target	Month End Actual	Last year Actual
74.20%	73.75%	74.20%

We have collected over £2.8m more in council tax this year compared to last year. Collection rates for council tax are 0.45% behind this point last year which has followed a similar trend all year. It is anticipated that collection rates will out-turn at a similar level to last year.

7.4 **NNDR-Business Rates (£75.3m)**

The % of business rates for 2017/18 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 2016/17	98.49%
Year End Target for 2017/18	98.50%

Month End Target	Month End Actual	Last year Actual
75.10%	75.29%	75.10%

Business rates is 0.19% ahead of target, although the collectable debit figure continues to fall as the Valuation Office Agency reduce a number of assessments due to appeals.

7.5 **Sales Ledger (£53.7m)**

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 2017/18 are as follows:

Age of debt	Annual Target %	November 2017	
		£m	%
Total	6.00	2,170	4.04%

Sales ledger performance is well within target, and work continues to collect the highest invoices which are outstanding.

8.0 **PREVIOUS MINUTES**

02/03/17 – Council, Service & Financial Planning Strategy
19/6/17 – Cabinet – 2016/17 Outturn and 2017/18 Update
13/07/17 – Cabinet – 2017/18 Financial Management Report
21/09/17 – Council 17 – 2017/18 Financial Management Report
19/10/17 – Cabinet – 2017/18 Financial Management Report
23/11/17 – Council, 2017/18 Financial Management Report
7/12/17 – Cabinet – 2017/18 Financial Management Report

9.0 **BACKGROUND PAPERS**

2017/18 Budget Strategy / Financial Ledger reports

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