

## **TELFORD & WREKIN COUNCIL**

**CABINET – 31 MAY 2018  
COUNCIL – 26 JULY 2018**

### **SERVICE & FINANCIAL PLANNING REPORT – 2017/18 OUTTURN AND 2018/19 UPDATE**

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

**LEAD CABINET MEMBER: CLLR L D CARTER**

## **PART A) – SUMMARY REPORT**

### **1.0 SUMMARY OF KEY ISSUES**

#### **1.1 2017/18 General Fund Revenue Financial Outturn**

The Council has actively managed its budget during 2017/18 and despite some areas of significant pressure, has ended the year in a very positive financial position. This will not only assist in 2018/19 but allows a number of 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 enable the Council to provide additional benefits to the Community through its programme of Pride environmental improvements including £0.6m for provision of “Safer Routes to Schools”.

The gross revenue budget for 2017/18 was £416m and the net budget was £121m. The revenue outturn position is within budget with a final net underspend of £0.150m (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 £14m of budget savings in 2017/18, on top of the £96m made in the previous 8 years giving a total of £110m - equivalent to around £1,500pa for every home in the borough.

The funding outlook for the medium term is very uncertain with significant changes to the local government finance system due to be implemented from 2020/21, however it is currently anticipated that the Council will need to identify around £30m of further savings over the next three years on top of the £110m already delivered to the end of 2017/18.

Due to the strong financial management exercised by Cabinet Members and budget holders during 2017/18, the Council has been able to create a number of provisions from the 2017/18 outturn position to support its priorities and sustain its financial position going forward.

These include:

- £1.0m further investment in a programme of Pride environmental improvements including small local environmental schemes;
- £0.6m Highway investment to further develop “Safer School Routes”;
- £0.35m to provide funding for the Inquiry into Child Sexual Exploitation (previously approved by Cabinet);
- £0.3m investments in Adult Social Care;
- £0.3m to provide additional residential car parking spaces;
- £0.2m to provide additional funding for cleaning/replacement of road signs;
- £0.1m to enable Southwater Library to be opened on Sundays from 11.00 until 4.00 for 2 years;
- £0.1m for new or enhanced existing sporting events to promote the borough and active lifestyles.

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 £2.7m has been delivered from Treasury Management the majority of which relates to benefits from low interest rates for short term borrowing and the Treasury Management Strategy of keeping the majority of new borrowings very short term. Some longer term borrowing has been undertaken during 2017/18 and the early part of 2018/19 at favourable rates to reduce interest rate exposure and as we lock into more longer term rates the overall benefit to the budget will reduce. The position is regularly monitored by senior finance staff and advice taken from the Council’s external treasury management advisors to manage the interest rate exposure whilst seeking to maximise short term gains.
- Active management of the Property Investment Portfolio has resulted in a benefit of £0.9m which includes the early delivery of income arising from new investments delivered through the Telford Growth Fund.
- Close management of employee budgets during the year has resulted in savings totalling just over £1.5m relating to vacant posts, many of which are one off savings linked to planned service restructures

The key areas of pressures during 2017/18 were:

- **Adult Social Care** ended the year with a service underspend of £0.379m. However, as reported throughout the year, the cost of purchasing care packages from external providers and high demand led to a pressure of £4.3m. This was mitigated by additional income totalling £4.4m from grant funding, CCG funding and client contributions. As part of the 2018/19 budget strategy, the Council has committed additional investment totalling £6.5m over the next 3 years into the Adult Social Care budget. The Service also has a Cost Improvement Plan in place to deliver better outcomes and efficiencies.
- **Children’s Safeguarding & Early Help** ended the year with a service overspend of £3.3m. While the number of looked after children was lower at the end of 2017/18 than at the end of 2016/17, there were more higher cost specialist

residential and external foster care placements than anticipated. The Service has developed a 4 year placement model with the aim of reducing the total number of placements and will explore options for further NHS funding. The Council has invested additional funding of £2.65m into the Children's Safeguarding & Early Help budget over the next 2 years highlighting the very high priority placed by the Council on safeguarding children.

**1.2 2017/18 Capital Outturn.**

Capital spend ended the year at £85.5m against an approved estimate of £101.6m which was in the main due to re-phasing expenditure into 2018/19. This underspend will result in some further treasury management savings to be made in 2018/19.

**1.3 Income Monitoring**

Overall cash collection is in a good position. Collection rates for Sales Ledger outstanding debt and Business Rates were ahead of the target for the year although Council Tax collection was very slightly behind target. 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**

2017/18 was the third 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 £0.343m in 2017/18 but as expected no dividend was distributed. The Council also received income from NuPlace totalling £1.238m during 2017/18 net of additional interest and other marginal costs.

**1.5 General**

The draft formal statement of accounts will be considered at the Audit committee on 29 May 2018 and audited by KPMG, the Council's external auditors during June and July. The accounts will also be available for public inspection for 30 working days from 30 May 2018. Following a national procurement exercise, the Council's external auditors will change to Grant Thornton UK LLP after the audit of the accounts for 2017/18 has been completed.

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

**1.7 2018/19 Update**

The Council faces another very challenging year in 2018/19 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 2017/18 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 the relevant Assistant Directors to spend the reserves detailed in section 5 and Appendix 2;
- (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 2018/19

### 3.0 SUMMARY IMPACT ASSESSMENT

<b>COMMUNITY IMPACT</b>	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.
<b>TARGET COMPLETION/DELIVERY DATE</b>	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 May, are audited during June and July and the final version of which will be published by the end of July following consideration by the Audit Committee.	
<b>FINANCIAL/VALUE FOR MONEY IMPACT</b>	Yes	The financial impacts are detailed throughout the report.
<b>LEGAL ISSUES</b>	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 July and the draft accounts should be presented to the Audit Committee before the end of May.
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>	No	
<b>IMPACT ON SPECIFIC WARDS</b>	No	Borough Wide

## **PART B) – ADDITIONAL INFORMATION**

### **4.0 2017/18 REVENUE BUDGET**

4.1 The Council had a gross revenue budget of £416m for 2017/18 and the final net revenue outturn position is as follows (a more detailed summary is provided in Appendix I):

	£m
<b>Net Budget</b>	<b>121.193</b>
<b>Net Expenditure</b>	<b>121.043</b>
<b>Net Underspend</b>	<b>-0.150</b>
<b>Percentage Net Variance</b>	<b>-0.12%</b>

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

<b>Service</b>	<b>Budget £</b>	<b>Outturn £</b>	<b>Variance £</b>
Adult Social Care	43,979,946	43,600,985	-378,961
Business, Development & Employment	-945,852	-1,539,158	-593,306
Cooperative Council Team	1,363,960	1,193,853	-170,107
Commercial Services	94,914	-76,587	-171,501
Corporate Items	3,603,520	3,398,536	-204,984
Council Wide	3,657,525	5,057,066	1,399,541
Customer & Neighbourhood Services	26,847,929	26,456,304	-391,625
Education & Corporate Parenting	5,183,459	5,633,943	450,484
Finance & Human Resources	7,812,302	4,601,451	-3,210,851
Governance, Procurement & Commissioning	3,227,423	3,168,891	-58,532
Health & Wellbeing	1,261,627	1,125,815	-135,812
Children's Safeguarding and Early Help	25,106,749	28,421,886	3,315,137
<b>Final Outturn</b>	<b>121,193,502</b>	<b>121,042,985</b>	<b>-150,517</b>

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.

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:

<b>Service Area</b>	<b>Variance £m</b>
<b><u>Business, Development &amp; Employment</u></b>	

<p><b>Regeneration &amp; Investment</b> – net position relating to the Property Investment Portfolio &amp; service charges which includes early delivery of income arising from the Telford Growth Fund Investment.</p> <p><b>Development Management</b> – net planning fee income shortfall</p> <p><b>Development Management</b> – planning appeals costs</p>	<p>-0.943</p> <p>+0.309</p> <p>+0.106</p>
<p><b><u>Finance &amp; HR</u></b></p> <p><b>Treasury Management</b> – the benefit is due to reduced borrowing costs associated with short-term borrowing at current 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 2017/18 to manage the risk of interest rate exposure.</p> <p><b>Human Resources</b> – additional external income generated from the provision of services and project work for external clients both within and outside the Borough.</p>	<p>-2.747</p> <p>-0.100</p>
<p><b><u>Cooperative Council Team</u></b></p> <p>There are no variations over £100k to report for the year.</p>	
<p><b><u>Children's Safeguarding &amp; Early Help</u></b></p> <p><b>Children in Care Placements</b> – the number of looked after children at the end of the year was lower than at the end of 2016/17 at 364 compared to 381. However there were more children in higher cost residential and external foster care than anticipated. The service is developing strategies to attract more internal foster carers and has a 4 year placement model with a target of reducing the total number of placements.</p> <p><b>Staffing (Safeguarding)</b> – includes the cost of agency social workers during the year. The Service has a number of strategies to attract and retain staff with the aim of reducing this cost in 2018/19.</p> <p><b>Legal</b> – the increased level of activity and complexity has led to an increase in court fees and the use of barristers.</p> <p><b>Assessments</b> – underspend reflecting the creation of an in house service offering mother and baby assessments which has reduced the requirement for residential placements.</p> <p><b>Independent Review Staffing</b> – difficulties recruiting during the year led to the use of agency staff which resulted in an overspend.</p>	<p>+2.478</p> <p>+0.119</p> <p>+0.118</p> <p>-0.315</p> <p>+0.119</p>

<p><b><u>Education &amp; Corporate Parenting</u></b></p> <p><b>Advisory Management and School Improvement traded Advisory Service</b> - This relates to a shortfall against the income target for this area following the transfer in 2016/17 of the Advisory team to the STSA. Work is ongoing to identify further savings in the future.</p> <p><b>School Transport</b> – the overspend relates to a saving target not yet delivered. Further work is being undertaken to meet the target by a specialist Project Officer to identify further efficiency savings.</p>	<p>+0.180</p> <p>+0.398</p>
<p><b><u>Adult Social Care</u></b></p> <p><b>Purchasing budgets</b> – pressures on care costs from both price and demand have been reported throughout the year. The Service have a cost improvement plan with the aim of reducing the overspend in 2018/19.</p> <p><b>Purchasing budgets</b> – income from client contributions, funding from the CCG and grant funding.</p> <p><b>Community Safeguarding &amp; Social Work</b> – employee related savings.</p> <p><b>Community Early Help</b> – employee related savings due to vacant posts.</p>	<p>+4.313</p> <p>-4.373</p> <p>-0.148</p> <p>-0.441</p>
<p><b><u>Governance, Procurement &amp; Commissioning</u></b></p> <p><b>Strategic Procurement</b> – the underspend mainly relates employee savings including vacant posts</p>	<p>-0.139</p>
<p><b><u>Health &amp; Wellbeing</u></b></p> <p><b>Public Health</b> – employee savings arising a service restructure delivered earlier than budgeted.</p> <p><b>Public Health</b> – performance against contracts lower than budgeted led to an underspend during 2017/18.</p>	<p>-0.122</p> <p>-0.347</p>
<p><b><u>Customer &amp; Neighbourhood Services</u></b></p> <p><b>Winter Maintenance</b> – costs associated with additional gritting during snow and cold weather.</p> <p><b>Engineering Service</b> – income shortfall from Engineers fees, net of savings from vacant posts. A review of the service has taken place and a new structure implemented which together with operational savings will reduce costs; a revised income target has also been agreed in the 2018/19 budget to resolve the ongoing pressure.</p>	<p>+0.360</p> <p>+0.154</p>

<p><b>Highways</b> – additional income received from road closures, Fixed Penalty Notices and Section 74 relating to the new Roads and Street works Act.</p>	-0.143
<p><b>Highways</b> – additional staff costs to cover vacant posts</p>	+0.107
<p><b>Waste</b> – overspend due to increased tonnages for waste transport, treatment and disposal offset by reductions in tonnages for sweeping, green waste and collection costs.</p>	+0.155
<p><b>Contract Procurement Costs</b> – one off benefit of capitalisation using time limited Government flexibilities</p>	-0.150
<p><b>Housing Benefit</b> - recovery of housing benefits overpayments arising from proactive work undertaken by the benefits team.</p>	-0.508
<p><b>Public Protection</b> – staff savings from changes to the service changes implemented.</p>	-0.115
<p><b><u>Commercial Services</u></b></p>	
<p><b>Housing, Nuplace &amp; Commercial Projects</b> – restructure savings delivered early and one off savings from vacancy management.</p>	-0.114
<p><b>ICT</b> – overachievement of income from project delivery and selling of services</p>	-0.105
<p><b>Admin Buildings</b> – underspend relating to NNDR refunds and reduced maintenance costs</p>	-0.301
<p><b>Catering</b> – pressure arising from higher than anticipated levels of price inflation on food costs; mitigating steps have been taken throughout the year including revised menu choices. The Service Area will continue to monitor and implement a cost improvement plan in 2018/19.</p>	+0.128
<p><b>Catering</b> – capitalisation of catering upgrade costs using time limited Government flexibilities.</p>	-0.163
<p><b>Leisure Services</b> – Ice Rink income shortfall which follows a national downturn in skating. A number of initiatives and promotion activities have been undertaken which has improved the position towards the end of the year and will continue into 2018/19.</p>	+0.136
<p><b><u>Corporate Items</u></b></p>	
<p><b>Purchase rebates</b> – rebates from corporate contracts</p>	-0.130

#### 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 2017/18 this grant totalled £12.664m. 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 2017/18 is shown in the table below:

	£
Public Health Reserve (grant bwfd from 2016/17)	258,939
Public Health Grant allocation 2017/18	12,664,000
<b>Total Funding</b>	<b>12,922,939</b>
<u>Application of Funding in 2017/18</u>	
Health & Well Being	9,612,155
Children's Safeguarding	103,816
Commercial Services – leisure and recreation	342,342
Co-Operative Council	25,922
Customer & Neighbourhood Services	148,406
Development, Business & Employment	479,988
Early Help & Support	677,177
Education & Corporate Parenting	86,951
Governance, Procurement & Commissioning	744,716
Council Wide	99,203
<b>Total Spend</b>	<b>12,320,675</b>
Grant cfwd to 2018/19	602,264

The majority of the 2017/18 grant was allocated to Services during the year, with the exception of £0.381m which was carried forward to 2018/19 to fund known specific one off costs.

Of the £0.259m grant brought forward from 2016/17, £0.038m was applied in 2017/18 leaving £0.221m. Overall, including the balance carried forward to 2018/19 the grant was fully utilised in 2017/18 in accordance with the grant conditions.

#### 4.5 Dedicated Schools Grant

The in-year deficit was £0.815m. However, a surplus of £0.271m had been brought in to 2017/18 from previous years so a year end deficit of £0.544m has been carried forward in to 2018/19.

The main reason for the overspend was pressure on the high needs block of DSG. This block supports provision for high needs pupils in special schools, colleges, specialist residential provisions and pupil referral units. It also funds education, health and care plans (EHCPs) and other services for high needs pupils in mainstream

schools. Both the number of children and young people with high needs and their complexity has been increasing year on year, alongside legislative change by national government which has increased costs. The Council is developing a cost improvement plan to address the pressures in high needs.

It should be noted that a DSG deficit can only be met from the following years DSG if the Schools Forum (or failing that the Secretary of State for Education) agree to this. If this agreement is not obtained the deficit has to be cleared from the Council's General Fund. Whilst there is thus a risk that this DSG pressure becomes an issue for the Council's general budget, the Council has a very constructive relationship with the local Schools Forum. The Council intends to tackle the high needs pressures in partnership with the Forum, schools and other providers of education.

## 5.0 **RESERVES & BALANCES**

5.1 The main General and Special Fund balances were £4.657m at 1<sup>st</sup> April 2017. The position on the main General and Special Fund Balances is now:

	£m
Balances at 1 <sup>st</sup> April 2017	<b>4.657</b>
Contribution to General Fund Balances	0.150
<b>Balances at 31<sup>st</sup> March 2018</b>	<b>4.807</b>

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

5.2 In addition to the General and Special Fund Balances, the Council holds a number of contingencies and service balances available to support services in 2018/19. These include:-

- £1.000m specifically set aside to support Children's Safeguarding & Early Help and Adult Social Care;
- £3.000m general contingency to provide further support to Adults and children's safeguarding or for other services if required.
- £10.3m uncommitted additional balances available to support the medium term strategy

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

Service Team	Amount Requested £
Further Investment in a programme of Pride environmental improvements including small local schemes	1,000,000

Service Team	Amount Requested
Further development of "Safer School Routes"	600,000
Children's Safeguarding & Early Help - cost improvement plan support provision	500,000
Public Health - balance of public health funding transferred to the Public Health reserve as required by regulation. The majority will be used to support the substance misuse contract and retendering the Healthy Child Programme which will both deliver savings in the long term.	372,266
Child Sexual Exploitation - provisional estimate for costs of the independent inquiry; (As approved at Cabinet 19 April 2018)	350,000
Provision of additional residential car parking spaces	300,000
Programme of additional cleaning/replacement road signs	200,000
Benefits - funding to support the ongoing impact of welfare reforms, such as the implementation of Universal Credit and sustain call handling performance at an acceptable level.	180,000
Adult Social Care - support to implement a revised model of operation for the reablement service with the aim of reducing costs.	100,000
Adult Social Care - required to meet additional costs arising from the new NHS system of funding clients moving out of a care setting as part of the Transforming Care Partnership agenda which is transferring costs to Local Authorities/CCG.	100,000
Adult Social Care - funding required to handle legal challenges to policies and process Court of Protection Orders.	100,000
Highways, Grounds & Cleansing and Enforcement - funding for the IT system "Confirm" which is being implemented in 2018/19.	100,000
General Data Protection Regulations (GDPR) – Provision for potential cost implications on ICT systems across the organisation	100,000
Funds to support new sporting events to promote the borough and active lifestyles	100,000
To enable Southwater Library to be opened on Sundays from 11.00 until 4.00 for 2 years.	100,000
Catering - to meet Inflationary pressures on food costs	96,750
LED lighting replacement for Darby House and the Ice Rink to deliver future cost savings.	90,000
Legal Services-funding to provide additional capacity to support Adult Social Care as the demands on legal services continue to grow.	84,000
Regeneration & Investment - investment at Audley Park Enterprise Park, Newport to alleviate flooding and replace utility meters	80,000
Human Resources - implementation of Resourcelink, the Council's new HR/payroll system.	80,000
Regeneration & Investment - investment in Hall Court carpark including: resurfacing, relining, allocation of additional disabled parking, new signage and new pay meters to allow more effective management and enforcement.	75,200

Service Team	Amount Requested
Arthog - refurbishment and improvement of equipment including the climbing wall, replacement bunk beds, minibuses and a trailer. Required to sustain the centre's position.	62,000
Human Resources - trading equalisation reserve	60,000
Women's Refuge to cover budget pressures	60,000
Leisure Facilities - promotion and marketing support to ensure income levels are maximised.	50,000
Void off Bridge Bank, The Gorge - urgent works required.	50,000
Highways - funding to undertake additional consultation on highway related schemes over the next 12 months.	40,000
Democratic Services - funding to implement Modern Gov System widely used to improve the management of member meetings.	16,000
Equipment & Staffing costs to include hand held devices for effective management of work	11,000
Inward Investment & Business Support - funding to improve WIFI at the Growth Hub to maintain 'hot desk' offer to small businesses and effective delivery of Growth Hub operation.	11,000
Town Park - funding towards one off maintenance costs of water play area.	5,000
<b>Overall Total</b>	<b>5,073,021</b>

5.4 The overall position also includes transfers to: the Invest to Save/Capacity Fund of £1.7m (including the £1m approved as part of the 18/19 budget strategy) - this fund is integral to delivery of the Council's service and financial planning strategy funding one-off costs necessary to achieve long term financial sustainability and meeting significant resource pressures; the Severance Fund of £1m as funding will need to be in place once the Government's temporary freedom to capitalise severance costs ceases. Funds have also been set aside to meet the potential costs of future unknown pressures which pose a financial risk: £2.5m for the impact of the changes to the Business Rates Retention funding model and the Fair Funding Review; and £1.15m to cover interest rates fluctuations which could have a marked impact on Treasury management performance.

## 6.0 2017/18 CAPITAL PROGRAMME

6.1 The capital programme for 2017/18 totalled £101.65m; spend at year end was £85.54m giving a year end variation of £16.11m which is summarised in the table below:

Service Area	Budget £m	Spend £m	% Spend £m	Year End Variance £m
Adult Social Care	1.15	0.72	63%	-0.43
Health & Wellbeing	0.39	0.34	86%	-0.05
Development Business & Employment	52.20	48.09	92%	-4.11

Customer & Neighbourhood Services	22.41	20.27	90%	-2.14
Education & Corporate Parenting	10.23	7.57	74%	-2.66
Commercial Services	7.91	6.14	78%	-1.77
Governance, Procurement & Commissioning	0.53	0.34	63%	-0.19
Cooperative Council & Commercial Delivery	2.10	0.01	0%	-2.09
Finance & Human Resources	4.73	2.06	44%	-2.67
<b>Total</b>	<b>101.65</b>	<b>85.54</b>	<b>84%</b>	<b>-16.11</b>

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

6.2 The main scheme re-phasing to 2018/19 are shown below with detail included in Appendix 4.

	£m
<b><u>Adult Social Care</u></b>	
Children's and Adults ICT System (Liquid Logic) rephasing of programme	-0.42
<b><u>Development, Business &amp; Employment</u></b>	
Property Investment Programme – rephasing of programme including Southwater Hotel, Southwater Green space and Madeley Commercial. To be completed during 18/19.	-1.08
Superfast Broadband – scheme to be complete in 2018/19	-0.99
Housing Investment- programme rephrased and realignment of funding sources	-1.15
HCA Land Deal – rephasing of spend, mainly site preparation and realignment of funding sources	-0.47
Pride – High Street Challenge and small scale regeneration projects – two year programme; schemes to be delivered in 2018/19	-0.76
<b><u>Customer &amp; Neighbourhood Services</u></b>	
Telford Growth Package – ongoing infrastructure and highways works at Hortonwood, strategic Land Deal site in 2017/18.	+1.18
	-0.43

Newport Innovation & Enterprise Package – project ongoing; re-phased to 2018/19	-0.77
Town Centre Connectivity –rephasing of spend; completion will be during 18/19	-0.54
Ironbridge Gorge Stability – works due in 2018/19	-0.62
LED Lighting – re-phased in line with programme delivery	-0.49
Customer Services Systems Development – rephasing to 2018/19 required in line with project plan	-0.40
Bridges Maintenance – delays due to adverse weather; re-phased to 2018/19	
<b><u>Education &amp; Corporate Parenting</u></b>	
Building Schools for the Future – final land transfer agreements and contract novating to be completed	-1.09
Other School Schemes – re-phased to 2018/19 in line with requirements	-1.30
Short Breaks for Disabled Children – delay in spend	-0.11
Arthog Refurbishment – underway; to be completed in 2018/19	-0.22
<b><u>Commercial Services</u></b>	
Disabled Facilities Grant – spend re-profiled to 2018/19	-0.47
Asset management plan, general works and surveys – slippage on the main programme, all fully committed in future years	-0.47
Leisure Projects – including 3G Pitch and High Ropes; slippage to 2018/19	-0.32
<b><u>Co-operative Council</u></b>	
Every day Telford, Pride in Your Community – fully committed to future years; 2 year programme	-2.08
<b><u>Finance &amp; Human Resources</u></b>	
Capitalisation of Efficiency Schemes/Severance costs	-2.7

- 6.3 There are a number of new approvals and virements which are also detailed in Appendix 4 and require formal approval.
- 6.4 The funding for the capital programme in 2017/18 included £7.4m estimated income from capital receipts. The actual income received in year was lower at £2.3m – the difference was mainly due to a number of receipts delayed which are now anticipated in 2018/19.
- 6.5 Appendix 5 includes details of Education Section 106 agreements agreed during 2017/18.

## **7.0 NUPLACE**

- 7.1 2017/18 was the third 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 for rent. During the year, the company acquired 3 new development sites at Blossom Walk, Hadley (25 units), Springfields, Newport (33 units) and Coppice Court, Snedhill (39 units). The sites represent a mixture of two, three and four bedroom houses and two bedroom apartments. Construction continued at Miners Walk, Madeley and The Oaklands, Dawley, and unit releases were ahead of schedule, taking the number of properties completed and let at 31 March 2018 to 232. All sites are estimated to complete construction during the 2018/19 year end, with the exception of Coppice Court, Snedhill which is forecast to practically complete in April 2019.

Strong management of the property portfolio and reduced voids lead to rental income levels in excess of forecasts in the period. The investment properties at two completed sites were revalued at the year end, resulting in an increase in value of 14.6% over the cost of construction, which is reflective of the buoyant market conditions in the West Midlands. Future sites will continue to be revalued in line with the Company's accounting policy.

- 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 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 2017/18 which will consolidate the Council and Nuplace's financial position.
- 7.3 As anticipated, no dividends were distributed at the end of 2017/18 and the company ended the year with an operating profit before taxation of £0.343m. It should be noted that the Council has received income totalling £1.238m from Nuplace during 2017/18 net of additional 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 PERFORMANCE**

- 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. Final Outturn 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, sales ledger collection and business rates collection ended the year ahead of target, but council tax was very slightly (0.1%) behind target. Overall cash collected increased by over £12m

<b>INCOME COLLECTION – 2017 / 18</b>				
	<b>Actual</b>	<b>Target</b>	<b>Performance</b>	<b>Change in cash collected on last year</b>
Council Tax Collection	97.3%	97.4%	0.1% behind target	+£3,689,024
NNDR Collection	98.6%	98.5%	0.1% ahead of target	-£1,893,176
Sales Ledger Outstanding Debt	4.86%	6.00%	1.14% ahead of target	+£10,271,759

### 8.3 **Council Tax (£79.5m)**

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 exceeds 99%.

Year End performance 2016/17	97.4%
Year End Target for 2017/18	97.4%

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

Month End Target	Month End Actual	Last year Actual
97.4%	97.3%	97.4%

We collected over £3.6m more in council tax in 2017/18 compared to last year. Council tax collection out turned at 0.1% behind 2016/17. Collection rates from Council Tax Support customers fell by 2% overall, and in particular collection from 'vulnerable' CTS recipients has fallen by 3.46%, and for employed CTS recipients by 3.60%.

#### 8.4 NNDR-Business Rates (£75.1m)

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
98.5%	98.6%	98.5%

Business rates collection has out turned 0.1% ahead of last year, although cash collection has decreased by £1.8m as a direct result of the drop in liability following revaluation in April 2017.

#### 8.5 Sales Ledger (£49.1m)

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 %	March 2018	
		£m	%
Total	6.00	2,387	4.86%

Sales ledger performance I has out-turned well within target, and work continues to collect the highest invoices which are outstanding.

#### 9.0 2018/19 UPDATE

The first detailed monitoring report for 2018/19 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

##### **Adult Social Care and Safeguarding & Early Help**

Adult Social Care and Safeguarding & Early Help will continue to be areas requiring close monitoring throughout the year. The key areas of focus 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.

The 2018/19 budget includes a contingency of £1m specifically for these services and additional investment has been included in both areas.

### **Treasury Management**

A benefit of £1.2m 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 2017/18 as explained earlier in this report. This may vary throughout the year dependent on borrowing requirements.

## **10.0 PREVIOUS MINUTES**

02/03/17 – Council, Service & Financial Planning Strategy  
19/06/17 – Cabinet – 2016/17 Outturn and 2017/18 Update  
13/07/17 – Cabinet – 2017/18 Financial Management Report  
21/09/17 – Council – 2017/18 Financial Management Report  
19/10/17 – Cabinet – 2017/18 Financial Management Report  
23/11/17 – Council – 2017/18 Financial Management Report  
07/12/17 – Cabinet – 2017/18 Financial Management Report  
04/01/18 – Cabinet – 2017/18 Financial Management Report  
15/02/18 – Cabinet – 2017/18 Financial Management Report

## **11.0 BACKGROUND PAPERS**

2017/18 Budget Strategy and Financial Ledger reports  
2018/19 Budget Strategy

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