

TELFORD & WREKIN COUNCIL

**CABINET – 11 JULY 2019
COUNCIL – 25 JULY 2019**

2019/20 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 2019/20 Revenue

The net outturn position for 2019/20 is currently projected to be within budget at year-end after applying funding from the Council's contingency. The centrally held contingency is available to meet funding pressures and any unforeseen costs with any balance remaining at year-end used to support the medium term service and financial planning strategy in future years. The current projection is that £3.6m of the contingency will still be available at year-end.

This is a positive position as £6.1m savings were required to balance the 2019/20 budget although significant pressures are being experienced in a number of service areas. The aim is to reduce the impact of these pressures and improve the overall position further during the remainder of the year.

Adult Social Care is currently projected to be £0.492m (or 1.2%) over budget and close monitoring and active budget management will continue throughout the year. Children's Safeguarding & Family Support continues to be a key area of focus and is currently projecting to be £1.598m (5.2%) over budget. A cost improvement plan is in place which is actively monitored on a regular basis by senior managers and Cabinet Members.

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

- A benefit of £2.0m relating to Treasury Management activities - the majority of which relates to benefits from low interest rates for short-term borrowing. Some further long-term borrowing has been taken in 2019/20 to reduce interest rate exposure and the position is regularly monitored by senior finance staff with advice taken from the Council's external treasury management advisors.

- Children’s Safeguarding & Family Support is a key pressure area with additional investment of £1.598m required which is mainly due to the cost of placements for Looked after Children. This position is after applying £1.647m one off balances and contingencies, set aside at last year end to support the delivery of the cost improvement plan. A cost improvement plan is in place which is designed to deliver efficiencies over the remainder of the year and medium term.
- Education & Corporate Parenting is also under pressure with a projected overspend of £0.673m. This is largely due to additional costs for school transport for pupils with high needs. Savings have already been achieved in school transport and there may be further opportunities for additional savings once the current review of Home to school transport is completed. A report will be brought to Members in the near future. Post 16 transport costs are also under pressure because the Government has extended the entitlement to education for high needs students up to the age of 25. This has led to an extension of some programmes with associated transport costs. Officers are reviewing the provision of all students to ensure that it is appropriate and provides positive progression. Independent travel training programmes will also be offered to a greater number of students where this is appropriate. In general, financial pressure on high needs is a nationally recognised issue and as Government funding rules do not allow high needs transport costs to be funded by Dedicated Schools Grant allocations, this pressure is impacting directly upon general fund budgets.

The funding outlook for the medium term is still very uncertain with significant changes to the local government finance system due to be implemented from April 2020 but very little information available about what impact these changes will have on the Council. However, using the limited information that is available, it is currently anticipated that the Council will need to identify around £25m further savings over the next 2 years (2020/21 – 2021/22) on top of the £123m already delivered to the end of 2019/20.

A four-year programme to invest in, protect and care for the Borough was approved at Cabinet on 30 May 2019. This report identified the Council’s strategic focus through to 2023 and a number of key investments are now put forward for approval which enable delivery of the commitments made to the Community. Details can be found in Section 5.2.

1.2 **Capital**

The capital programme totals £70.18m which includes all approvals since the budget was set. At the time of compiling this report projected spend was 92.25% of the budget allocation.

There are a number of new allocations and slippage which required approval and are listed in Appendix 3.

1.3 **Corporate Income Collection**

Income collection in relation to NNDR is ahead of target, while collection for Council Tax and Sales Ledger are slightly behind target.

Total cash collected is over £3.5m greater than at the same point last year.

2.0 **RECOMMENDATIONS**

Cabinet Members are asked to:-

- | | |
|-------|---|
| (i) | Note that 2019/20 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 contingency detailed in section 5. |
| (ii) | Recommend that Full Council Approve the investments listed in Section 5.2 and the Medium Term Financial Strategy is updated to reflect these. |
| (iii) | Note the position in relation to capital spend and recommend that Full Council approve the changes to the capital programme detailed in Appendix 3. |
| (iv) | 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 2019/20 at 31/3/20.	
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	Budget holders actively manage their budgets and the many financial risks and challenges that council services face, examples include the risk of a particularly harsh winter which would impact adversely on the winter gritting and adult social care budgets, the increasing dependency on income from a wide range of activities and the risk of interest rate movements. The Council has comprehensive risk management arrangements in place and an appropriate level of contingency within its revenue budget as detailed in this report.
IMPACT ON SPECIFIC WARDS	No	

PART B) – ADDITIONAL INFORMATION

4.0 2019/20 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/more volatile); less frequent financial monitoring is undertaken on budgets deemed to be medium to lower risk.

4.2 The overall 2019/20 budget position is summarised in the table below:

Summary of 2019/20 Projected Variations

Service Area	Net Revenue Budget	Current Variation	Variation as a % of Net Revenue Budget
	£	£	%
Business, Development & Employment	(1,481,064)	0	0.0
Finance & HR	3,284,674	(2,100,000)	-63.9
Cooperative Council Team	1,356,884	0	0.0
Children's Safeguarding & Family Support	30,921,310	1,598,553	5.2
Education & Corporate Parenting	11,613,506	673,205	5.7
Adult Social Care	42,395,547	491,890	1.2

Governance, Procurement & Commissioning	2,771,440	114,871	4.1
Health & Wellbeing	2,386,320	0	0.0
Customer & Neighbourhood Services	29,184,023	(164,199)	-0.6
Commercial & Housing Services*	1,468,207	433,000	29.5
Council Wide	(2,487,527)	(74,000)	3.0
Total	121,413,320	973,320	0.8
Use of Contingency		(973,320)	
Overall Total	121,413,320	0	

*this Service Area covers a range of services including non-commercial services such as homelessness, housing and ICT. The gross budget totals £40.9m and the overspend therefore represents 1.1% of this.

4.3 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 – The Council’s Property Investment Portfolio (PIP) generates over £7m income each year. Some pressures arising from void properties (including NNDR costs) are currently being experienced .	+0.208
Early delivery of Growth Fund investments which are largely offsetting the above pressure.	-0.183
<u>Finance & HR</u>	
Treasury Management – the majority relates to benefits from low interest rates for short-term borrowing.	-2.000
External Audit Fee – underspend against audit fee due to new contract with Grant Thornton.	-0.100
<u>Cooperative Council Team</u>	
There are no variations over £100k to report at present.	
<u>Children’s Safeguarding & Family Support</u>	
Children In Care Placements –This position is based on the assumption that the majority of current placements continue until the end of the financial year.	+2.242
16+ Children in Care – costs associated with young people over 16 increased significantly in 2018/19 as a result of a small number of high cost cases. The full year impact of this	+0.104

is included in the 2019/20 projections.	
Staffing – Recruitment has been challenging which has resulted in the appointment of short-term agency staff who cost around one third more than Telford & Wrekin Staff.	+0.332
Children with Disabilities – the overall cost of direct payments is likely to be in excess of the budget. However direct payments reduce the need for more expensive care packages.	+0.200
Use of Contingency - £0.800million from reserves set aside at the end of 2018/19 and £0.847million contingency budget to address cost pressures in Children’s Safeguarding & Family Support approved as part of the 2019/20 budget strategy.	-1.647
<u>Education & Corporate Parenting</u>	
School Transport – the majority of expenditure on home to school transport is in relation to transport for pupils with high needs which is putting pressure on the transport budget. The variation is forecast to be at a similar level to 2018/19. Savings have already been achieved in this area of spend and there may be further opportunities for additional savings once the current review of Home to school transport is completed. A report will be brought to Members in the near future.	+0.445
Post 16 Transport – there was a significant increase in the costs of transporting post 16 high need pupils from September 2018. In 2019/20 the full year transport costs of these young people will be incurred. This is because the Government has extended the entitlement to education for high needs students up to the age of 25. This has led to an extension of some programmes with associated transport costs. Officers are reviewing the provision of all students to ensure that it is appropriate and provides positive progression. Independent travel training programmes will also be offered to a greater number of students where this is appropriate.	+0.292
<u>Adult Social Care</u>	
Purchasing – variation is currently being investigated. The volume of care purchased is higher than assumed activity rates.	+1.474
Income – additional client contributions received as a result	-0.726

of the increased volume of care shown above.	
Operational Locality Teams – underspends arising from vacant posts.	-0.257
<u>Governance, Procurement & Commissioning</u>	
There are no variations over £100k to report at present.	
<u>Health & Wellbeing</u>	
There are no variations over £100k to report at present.	
<u>Customer & Neighbourhood Services</u>	
Environmental Maintenance – early delivery of savings earmarked for 2020/21 as a result of the new grounds and cleansing contract with Idverde.	-0.168
T & W Footpath Lighting – under spend projected against electricity costs from the implementation of the LED lighting programme across the Borough.	-0.169
<u>Commercial & Housing Services</u>	
Leisure Operations – income pressures linked to the impact of new competitors entering the gym market locally. An action plan is in place to mitigate this pressure which represents 1.1% of the gross budget of £40.9m.	+0.433
<u>Corporate</u>	
There are no variations over £100k to report at present.	

5.0 **CONTINGENCIES**

- 5.1 The 2019/20 budget includes a prudent general contingency of £3.7m, 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 £1.2m 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 reductions 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	3.748
Inflation Contingency	1.234
Total Contingencies	4.982
Proposed Use:	
Pride in the Community – Environmental Maintenance Projects	-0.400
Commitments:	
Required to meet the current projected pressures	-0.973
Residual Balance	3.609

The current revenue position is projected to be £0.973m over budget at year-end, which together with the proposed use leaves £3.609m available to meet any unforeseen costs for the remainder of the year.

- 5.2 A four year programme to invest, protect and care for the Borough was approved at Cabinet on 30 May 2019. The report identified the Council's strategic focus through to 2023 and the following key investment is now put forward for approval which will support the delivery of commitments made to the Community.

	£m
Revenue Investments	
Partnership Capacity Fund – additional funds (making the total available £1m) to support working with the voluntary sector and community groups. Areas for support include mental health, addiction, victim support, preserving local heritage, protecting and improving local parks and green spaces, and caring for vulnerable people.	0.440

Due to the strong financial management in 2018/19, the £3.3m budgeted use of balances was not required and therefore the level of overall balances available is higher than previously anticipated. There is therefore scope to fund the revenue investment outlined above from these balances while still retaining a prudent level of balances.

6.0 **CAPITAL**

6.1 **2019/20 Capital Programme**

The capital programme totals £70.18m, 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 £64.74m.

Service Area	Current Budget	Spend to Date	% Spend	Year End Projection
	£m	£m		£m
Development Business & Employment	27.70	0.47	1.70%	25.70
Customer & Neighbourhood Services	23.14	0.93	4.02%	22.30
Education & Corporate Parenting	7.30	1.10	15.10%	7.30
Adult Social Care	0.35	0.05	13.96%	0.35
Cooperative Council	0.93	0.07	7.74%	0.94
Governance Procurement & Commissioning	0.14	0.00	0.00%	0.14
Finance & Human Resources	2.27	0.10	4.19%	2.10
Commercial & Housing Services	8.36	0.85	10.19%	5.92
Total	70.18	3.57	5.1%	64.74

6.2 The 2019/20 capital programme relies on £4.782m of receipts as part of its funding (after adjusting for known changes). Capital receipts included in the medium term budget strategy are under continual review and any changes will be reflected in future budget projections but are currently projected to be on target.

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 is above target, but council tax and sales ledger collection are slightly behind target. However, the amount of cash collected has increased for all three income streams compared to last year with £3.5m more cash having been collected compared to the same point last year.

INCOME COLLECTION – May 2019				
	Actual	Target	Performance	Change in cash collected on last year
Council Tax Collection	19.13%	19.30%	0.17% behind target	+£1,009,672
NNDR Collection	24.50	24.34	0.16% ahead of target	+£442,363
Sales Ledger Outstanding Debt	5.08%	4.70%	0.38% outside of target	+£2,074,647

7.3 Council Tax (£88.5m)

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 2018/19	97.3%
Year End Target for 2019/20	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
19.30%	19.13%	19.15%

There is over £5 million more to collect in council tax during 2019/20 compared to 2018/19, and we have already collected over £1m more in council tax this year compared to last year. Collection rates for council tax are slightly behind target but does not cause any concern so early in the financial year.

7.4 NNDR-Business Rates (£77.9m)

The % of business rates for 2019/20 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 2018/19	99.05%
Year End Target for 2019/20	99.05%

Month End Target	Month End Actual	Last year Actual
24.34%	24.50%	24.34%

Business rate collection is slightly ahead of target and we have collected £442k more compared to this point last year.

7.5 Sales Ledger (£58.3m)

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 2019/20 are as follows:

Age of debt	Annual Target %	May 2019	
		£m	%
Total	4.70	2.964	5.08%

Sales ledger performance is just outside target. The highest debt outstanding continue to be in relation to the CCG, property developers, and complex ASC clients or their representatives.

8.0 PREVIOUS MINUTES

28/02/2019 – Council, Service & Financial Planning Strategy
30/05/2019 - Cabinet, Service & Financial Planning Report – 2018/19 Outturn and 2019/20 Update

9.0 BACKGROUND PAPERS

2019/20 Budget Strategy / Financial Ledger reports

Report Prepared by:

Ken Clarke, Assistant Director: Finance & HR (Chief Financial Officer)
– 01952 383100;
Pauline Harris, Corporate Finance Manager – 01952 383701