

TELFORD & WREKIN COUNCIL

CABINET – 26 FEBRUARY 2015

2014/15 FINANCIAL MONITORING REPORT

**REPORT OF THE ASSISTANT DIRECTOR: FINANCE, AUDIT &
INFORMATION GOVERNANCE (CHIEF FINANCIAL OFFICER)**

LEAD CABINET MEMBER: CLLR BILL McCLEMENTS

PART A) – SUMMARY REPORT

1.0 SUMMARY OF KEY ISSUES

1.1 2014/15 Revenue

In anticipation of the inevitable funding cuts to be faced next year early action was taken in 2014/15 to identify and deliver additional savings, which are detailed in the Service & Financial Planning Strategy also on this agenda. This places the Council in a good position as we move into 2015/16 with the expected net outturn position for the 2014/15 General Fund revenue budget being £2.7m under budget which together with the unused element of the budget contingency (currently £3m) provides £5.7m one-off resources available to support the 2015/16 budget strategy and the delivery of future savings. It is an improvement of £0.9m on the position previously reported to Cabinet which is a reflection of the continuing strong financial management by Senior Managers and Cabinet Members.

The Council is a very large and complex organisation providing hundreds of different services to our community. Many of these services are subject to significant changes and pressures during the year, for example, changes in the number and needs of looked after children. Balancing areas with increased demand or other cost pressures against potential offsetting opportunities elsewhere within the Council's budget requires constant attention, action and strategic leadership. Many other councils are not in the position that Telford & Wrekin is now in whereby a significant package of investments for 2015/16 and later years, which will deliver significant benefits to our community, can be funded from the early delivery of planned savings despite the many challenges that different Council services have had to deal with during the year.

The overall position includes full use of both the Safeguarding and Adult Social Services draw-down budgets and assumes that Transforming Telford Ltd. is closed this year and releases £0.73m of revenue balances.

This is the last monitoring that Cabinet will receive prior to the outturn position being presented to Members in June and every effort will be made to sustain this position.

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

- Net in year savings across all services totalling just over £6m which are contributing significantly to the Council's overall position. This position includes many one-off benefits for example arising from active treasury management, totalling £1.5m which has arisen from reviewing the Council's MRP policy relating to "government supported" debt in the same way as was agreed for all prudential debt as part of the budget strategy for 2014/15. Also included is the budget in 2014/15 allowed for the implementation of the single status settlement which will now not happen in 2014/15 and releases a benefit of £1.95m.
- Adult Social Services are projecting an overspend of £5.5m relating to the cost of care packages, which is an improvement of £0.2m since the previous report. One-off balances of £3.4m (£2.2m of the draw down budget approved corporately at year end and £1.1m Service Balances and £0.1m NHS England funding) are available to partly offset this. The total improvement since the last report is £0.387m.
- The cost of Children in Care Placements continues to be a significant pressure with an overspend of £1.4m being reported, which is consistent with that previously reported. This is being offset by use of the draw down budget which was built in to the 2014/15 base budget. The total change across the Children's Safeguarding and specialist services Service Area since the last report is an increased overspend of £0.24m to a total of £0.93m after the use of the approved £0.75m draw down budget. Ongoing pressures in this area may result in calls against the corporate budget contingency in 2015/16 and therefore the additional RSG arising from the final grant settlement will be used to supplement the contingency.
- Cost pressures totalling £0.3m relating to the provision of Adults with Learning Disabilities in house services are currently projected – a review of the service is currently in progress which will reduce the overspend once implemented.
- Transport – commissioned by Family & Cohesion Services on behalf of client services; following the review of transport in 2013/14 client budgets were reduced to reflect savings identified. At this stage in the year overspends totalling £0.2m are being reported across client budgets pending delivery of the savings recommended.

1.2 **Capital**

The capital programme totals £140m which includes slippage and all approvals since the budget was set. Spend at the time of compiling this report was around 53% with projected spend being 95%.

1.3 **Corporate Income Collection**

The collection levels for Business Rates are on target whilst Sales Ledger outstanding debt and Council Tax collection are slightly behind the targets set for the year.

2.0 **RECOMMENDATIONS**

2.1 **Cabinet Members are asked to:-**

- (i) **Note that 2014/15 revenue spending is currently projected to be within budget and continue to work with SMT to sustain this position;**
- (ii) **Note the position in relation to capital spend and receipts**
- (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 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 with one-off resources of at least £2.8m available from the 2014/15 budget at 31/3/15 in order to support the service and financial planning strategy also on this agenda.	
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 take action if overspends /shortfalls emerge.
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	
IMPACT ON SPECIFIC WARDS	No	

PART B) – ADDITIONAL INFORMATION

4.0 2014/15 REVENUE BUDGET

4.1 Financial monitoring 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 monitoring is undertaken on budgets deemed to be lower risk.

4.2 The main changes since the last report to Cabinet are:

Variations - £m	08/01/15 Cabinet	Change	Current Projected Variation
Childrens Safeguarding & Specialist Services – small increases across several areas have led to an overall increase of £0.2m since the last report	+0.692	+0.242	+0.934
Adult Social Services – a reduction of £0.4m since the last report mainly due to a reduction in costs relating to the purchase of care packages and additional one off funds	+1.933	-0.387	+1.546
Public Health – an overall reduction of £0.4m since the last report arising from early delivery of savings within the Drugs and Alcohol Support Services and reduced demand for Smoking Cessation Services.	-0.282	-0.412	-0.694
Customer Services – ICT, savings from vacant posts and one off funds available towards the PC replacement programme	+0.336	-0.266	+0.070
Additional Savings identified across all Service Areas	-6.023	0.000	-6.023
Other Variations	+0.553	-0.088	+0.465

Variations - £m	08/01/15 Cabinet	Change	Current Projected Variation
Total Projected Variation	-2.791	-0.911	-3.702
Call on Contingency	0.000	0.000	0.000
Contribution to Community Pride Fund	+0.260	0.000	+0.260
Contribution to Capacity Fund	+0.750	0.000	+0.750
Final Projected Variation	-1.781	-0.911	-2.692

4.3 The overall 2014/15 budget position is summarised in the table below:

Service Area	Cabinet 08 01 15	Total Current Variation	Change
	£	£	£
Children's Safeguarding & Specialist Services	692,749	933,876	241,127
Education & Corporate Parenting	(186,817)	(293,518)	(106,701)
Family & Cohesion & Commissioning Services	(533,900)	(630,778)	(96,878)
Development, Business & Employment	32,700	32,700	0
Neighbourhood & Leisure Services	43,500	43,500	0
Adult Social Services	1,932,796	1,545,580	(387,216)
Public Health, Well Being & Public Protection	(282,125)	(694,306)	(412,181)
Customer Services	(625,713)	(894,402)	(268,689)
Law, Democracy & People Services	(2,009,949)	(1,988,543)	21,406
Finance, Audit & Information Governance	(1,734,684)	(1,738,235)	(3,551)
Cooperative Council Delivery Unit	(224,936)	(221,616)	3,320
Council Wide	105,078	203,500	98,422
Total Projected Variation	(2,791,301)	(3,702,242)	(910,941)
Transfer to Capacity Fund	750,000	750,000	0
Transfer to Community Pride Fund	260,000	260,000	0
Total Projected Variation after transfers	(1,781,301)	(2,692,242)	(910,941)

4.4 Projected variances over £0.100m are highlighted below, other variances are detailed in Appendix 2.

Service Area	Variance £m
<p><u>Children’s Safeguarding & Specialist Services</u></p> <p>Children in Care Placements (CiC) – currently projecting £1.398m overspend which is an increase of £0.034m since the last report. This reflects 295 CiC at the 8 January 2015 (309 at 31 March 2014, peak of 323 during last financial year). The financial strategy for 2014/15 includes an additional “draw-down” budget for Safeguarding to help meet the ongoing pressures on the service (see below). All placements are scrutinised and reviewed in line with the Action Plan and Placement Strategy to secure best value.</p> <p>Draw down budget – £1.2m set aside when the budget was set to meet CiC pressures.</p> <p>Care Leavers – overspend relating to the cost of supporting 16-18 year olds as they leave care. This represents a significant improvement on the position in 2013/14 and an improvement of £0.033m since the last report.</p> <p>Internal Foster Carer Costs– payments to Foster Carers including transport costs.</p> <p>Staffing (Specialist Services) – underspends from vacancies held in the service area.</p> <p>Staffing (Safeguarding) – including the cost of agency social workers</p> <p>Direct Payments – payments relating to personal care for children with disabilities.</p> <p>In year savings total £0.080m.</p> <p>The Service Area has a Cost Improvement Plan for 2014/15 which includes specific elements to reduce the reported overspends described above. Close monitoring by senior officers and members is in place to review progress against the Cost Improvement Plan targets set.</p>	<p>+1.398</p> <p>-1.200</p> <p>+0.150</p> <p>+0.169</p> <p>-0.262</p> <p>+0.194</p> <p>+0.112</p>
<p><u>Education & Corporate Parenting</u></p> <p>School Improvement Advisory Service – additional income forecast from trading following the restructure</p>	<p>-0.107</p>

In year savings total £0.130m.	
<u>Family, Cohesion Services & Commissioning</u>	
Transport – transport is commissioned by Family & Cohesion Services and is provided to various client services: Adult Social Services, Education & Corporate Parenting and Neighbourhood & Leisure Services. Following the review of transport in 2013/14, client budgets were reduced to reflect the savings identified. Overspends totalling £0.162m (in Adult Social Services) are currently being reported by Client Services pending delivery of the recommendations in the Transport Review. As savings are achieved the reported pressures should reduce.	
Cohesion – a combination of salary and other savings within the service.	-0.231
Early Intervention & Family Connect – restructure savings	-0.130
Contracting & Commissioning – mainly due to the transfer of Supporting People from Adult Social Services which is forecast to overspend by £0.383m, partially offset by restructure savings.	+0.165
Youth Services – one off savings identified	-0.100
Youth Offending Service – one off savings identified	-0.283
In year savings total £0.909m.	
<u>Adult Social Services</u>	
Purchasing budgets – An overspend of £5.5m is projected which is a reduction since the previous report due to management of client costs and updated forecasts. The overspend is after the delivery of £2m savings already achieved.	+5.495
Purchasing – additional CHC funding following client appeals and draw down of funding in reserves to meet winter pressures spend.	-0.183
One off Funds – includes £1.12m Service balances plus NHS England Funding of £0.13m plus £2.24m of the one off draw down budget set aside at year end.	-3.495

<p>Transport – impact of the budget reductions following the transport review, mentioned above. A number of proposals have been agreed which, when implemented, will reduce the projected overspend, however a full year impact of the savings will not be achieved in 2014/15.</p>	+0.162
<p>Employees – savings arising from vacant posts within Adult Social Services.</p>	-0.265
<p><u>Public Health, Wellbeing & Public Protection</u></p>	
<p>Employees – arising from part year vacancies and underspends on other employee budgets.</p>	-0.123
<p>Smoking Cessation Project – saving arising from reduced demand and use of service.</p>	-0.218
<p>Drugs & Alcohol Support Services – saving from across the service including inpatient detox.</p>	-0.200
<p>In year savings total £0.200m.</p>	
<p><u>Neighbourhood & Leisure Services</u></p>	
<p>Waste Disposal – cost pressures associated with the disposal of wood and hazardous materials at CRCs; green waste at kerbside along with replacement bin costs.</p>	+0.169
<p>Waste & Neighbourhood Services – benefit from green waste disposal.</p>	-0.120
<p>Leisure Facilities & Services – income shortfall at Oakengates Leisure Centre and Horsehay Golf Complex</p>	+0.141
<p>One Off Funding– arising from savings; available to meet cost pressures</p>	-0.105
<p>Highways & Neighbourhood Management – income pressure</p>	+0.170
<p>In year savings total £0.185m.</p>	
<p><u>Development, Business & Employment</u></p>	
<p>Regeneration & Investments – loss in Property Investment Portfolio investment income arising from the longer-term rationalisation of the property portfolio to secure a more</p>	+0.525

<p>sustainable income position ongoing, short-term income pressures at Southwater car park and service charge voids.</p> <p>Business & Development Planning – one off savings arising from vacancy management</p> <p>Development Management – one off benefit from increased planning applications due to the current housing market and “Invest in Telford” campaign.</p> <p>In year savings total £0.440m.</p>	<p>-0.143</p> <p>-0.225</p>
<p><u>Customer Services</u></p> <p>ALD – Residential and community support overspends on employees due to additional hours worked offset by Care & Enablement savings identified from staffing restructures and cessation of the enablement service.</p> <p>One-Off Funding – part of Adult Social Services draw-down budget</p> <p>Customer Services overall position relies on £730k additional funding achieved through increased council tax and business rates. Due to accounting regulations this is not available to the Council in 2014/15 and will be met from one-off funds until 2015/16.</p> <p>In year net savings total £0.386m.</p>	<p>-0.120</p> <p>-0.260</p>
<p><u>Finance, Audit & Information Governance</u></p> <p>Treasury – the majority of this saving relates to the benefit of extending the change in the calculation of the Minimum Revenue Provision applied in 2013/14 to include supported debt (government allocations), which is made up of a back-dated element of £1.1m and an ongoing benefit. The revenue impact of changes to the level of anticipated capital receipts is also reflected in this position.</p> <p>In year savings total £1.471m.</p>	<p>-1.517</p>
<p><u>Law, Democracy & People Services</u></p> <p>Single Status - the budget for 2014/15 allowed for implementation of the single status settlement during the year. This is unlikely to happen during this financial year and as such a net benefit of £1.9m will arise during this year.</p>	<p>-1.950</p>

In year savings total £1.917m.	
<u>Co-operative Council Delivery Unit</u>	
Commercial Income – including income anticipated from the solar farm in 2014/15 (note, this excludes debt charges which are included in the Treasury projection; the net saving after debt charges will rise to £160k by 2016/17). In year savings total £0.163m.	-0.125
<u>Purchase Rebates</u> Surplus dividend from West Mercia Energy relating to 2013/14 outturn performance.	-0.134
<u>Litigation Costs</u> Estimated costs associated with an ongoing litigation claim affecting a number of Councils across the country which is likely to reach a conclusion in 2014/15.	+0.250

5.0 **CONTINGENCIES**

- 5.1 The 2014/15 budget includes a prudent contingency of £2.5m, 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, plus an amount held centrally for contractual inflation totalling £1.487m which forms part of the approved revenue budget but is only allocated to specific budgets when the relevant inflation indices are available. Additional one-off amounts of £1.2m were earmarked for Safeguarding as part of the 2014/15 budget and £2.5m was earmarked for Adult Social Services at 2013/14 year end. 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:

	£
General Revenue Contingency	2,500,000
Inflation Contingency	1,487,210
Safeguarding draw-down budget	1,200,000
Adult Social draw-down budget	2,500,000
Total Contingencies	7,687,210
Commitments:	
Current Estimate of contractual inflation	987,210
Safeguarding draw-down budget applied to service overspend	1,200,000
Adult Social Services draw-down budget applied to service overspend	2,500,000
Total Use of Contingency	4,687,210
Uncommitted balance remaining in Contingencies	3,000,000

The balance remaining in the contingencies at year end will benefit the overall bottom line position and no call will need to be made against the Councils usable General Fund balances.

6.0 CAPITAL

6.1 2014/15 Capital Programme

The capital programme totals £140m, which includes all approvals since the budget was set (and those proposed in this report).

The financial position is shown in the table below which shows spend at 53% of the budget allocation. Projected spend is currently shown at £133m (reflecting likely requirements for some further slippage of spend into later years).

Priority	Budget £m	Spend To Date £m	% Spent	Projection
Education & Corporate Parenting	64.81	41.11	63	64.66
Dvpt. Business & Employment	35.95	16.36	46	30.41
Neighbourhood & Leisure	31.08	14.50	47	29.98
Adult Social Services	1.85	0.22	12	1.67
Customer Services	2.36	0.89	38	2.34
Cooperative Council Delivery Unit	4.04	0.56	14	3.84
Council Wide	0.12	0.00	0	0.00
Total	140.21	73.63	53	132.90

6.2 Approvals relating to 2014/15 are included in the Service & Financial Planning Strategy (Capital Programme) also on this agenda.

6.3 There has been a small reduction of £0.3m to the capital receipts anticipated in 2014/15 since the last report. This is also included in the capital programme as part of the Service & Financial Planning Strategy reports on this agenda.

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 shows collection levels is either on target or slightly behind the target set. Cash collection remains in a good position.

INCOME COLLECTION – January 2015				
	Actual	Target	Performance	Change in cash collected on last year
Collection Levels:				
Council Tax Collection	92.00%	92.90%	0.90% behind target	+ £1,689,886
NNDR Collection	90.99%	90.99%	On target	N/A
Sales Ledger Outstanding Debt	7.74%	5.50%	2.24% behind target	-£3,252,259

7.3 **Council Tax (£68.9m)**

The percentage of the current year liability for council tax which the authority should have received during the year, as a percentage of annual collectable debit. The measure does not take account of debt that continues to be pursued and collected after the end of the financial year in which it became due. The final collection figure for all financial years exceeds 99%.

Year end performance 2013/14	96.6%
Year End Target for 2014/15	96.6%

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

Month End Target	Month End Actual	Last year Actual
92.90%	92.00%	92.90%

Cash collected for council tax has increased to £1.6 million compared to this point last year, and the debit figure that we are due to collect has increased by almost £2.5 million. Building growth in Telford has resulted in 984 properties being built within the last 12 months. Percentage collection is 0.90% down on this point last year, but slight improvements in this performance were seen in January compared to December's performance.

7.4 NNDR-Business Rates (£72.6m)

The % of business rates for 2014/15 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 2013/14	97.3%
Year End Target for 2014/15	97.3%

Month End Target	Month End Actual	Last year Actual
90.99%	90.99%	94.64%

We have re-profiled the NDR targets for the rest of the financial year to account for the new national instalment scheme over 12 months rather than 10 months. The business rates debit has grown by almost £3 million in the last 12 months. Cash collection for business rates is slightly more than last year, and we are on target for our year end projection.

7.5 Sales Ledger (£40.9m)

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 2014/15 are as follows:

Age of debt	Annual Target %	January 2015	
		£m	%
Total	5.50	3.15	7.74%

Sales ledger performance is outside target. This is mainly due to a number of large invoices which are currently being actively pursued by the Revenues Service and Senior Managers across the organisation.

The overall revenue out-turn position reported above is before any debt write-offs are made to reflect sales ledger invoices that are considered uncollectable. Clearly every possible effort is made to collect outstanding debts but in some cases collection may not be feasible for example because debtors have been declared bankrupt or are in liquidation with insufficient assets.

8.0 PREVIOUS MINUTES

27/4/14 – Council, Service & Financial Planning Strategy

26/6/14 - Cabinet, Service & Financial Planning Report – 2013/14 Outturn and 2014/15 Update

24/7/14 – Cabinet, 2014/15 Financial Monitoring Report

11/9/14 – Council, 2014/15 Financial Monitoring Report

16/10/14 – Cabinet, 2014/15 Financial Monitoring Report

27/11/14 – Council, 2014/15 Financial Monitoring Report

08/01/15 – Cabinet, 2014/15 Financial Monitoring Report

22/01/15 – Council, 2014/15 Financial Monitoring Report

9.0 BACKGROUND PAPERS

2014/15 Budget Strategy / Financial Ledger reports

Report Prepared by:

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