

TELFORD & WREKIN COUNCIL

B

CABINET – 25 FEBRUARY 2016

2015/16 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 2015/16 Revenue

In readiness for the financial challenges to be faced over the next few years, the Council has actively managed its budget throughout 2015/16 and has made good progress in delivering ongoing savings that are required to offset the continuing Central Government funding reductions. The result of this strong financial management is that the Council is in a good position as we move into 2016/17 with a projected underspend of £3.56m which is after being able to set aside funds to support the delivery of further ongoing savings.

This is the last financial management report 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.

Adult Social Services and Children's Safeguarding continue to be key areas of pressure and the overall position includes full use of both the Safeguarding and Adult Social Services contingencies. Both areas have cost improvement plans in place to reduce costs and deliver savings. These plans are monitored on a regular basis both by senior managers and Cabinet Members.

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

- A benefit of £6.7m relating to Treasury Management activities - the majority of which relates to the rescheduling of debt
- An in year reduction in the public health grant of £0.77m imposed by Government.
- A benefit of £0.8m relating to the budget for the implementation of Single Status which will not be required in 2015/16
- Adult Social Services are currently projecting an overspend of £1.0m, mainly relating to the cost of care packages; a cost improvement plan

is in place to deliver savings which should reduce this as the year progresses.

- Children’s Safeguarding also continues to be a key pressure with an overspend of £1.8m being reported, the majority relating to the cost of Children in Care placements. A cost improvement plan is in place to review costs and the placement strategy

1.2 Capital

The capital programme totals £88m which includes all approvals since the budget was set. At the time of compiling this report projected spend was 98% of the budget allocation.

There are some new allocations, virements and slippage identified which will be included in the capital programme to be presented to Full Council for approval as part of the Service & Financial Planning reports on 3 March 2016.

1.3 Corporate Income Collection

The level of outstanding Sales Ledger debt is ahead of the target set for the year; Council Tax and Business Rates collection are very slightly behind the targets set although total cash collected by the team is very significantly ahead of the same point last year.

2.0 RECOMMENDATIONS

2.1 Cabinet Members are asked to:-

- (i) **Note that 2015/16 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;**
- (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 2015/16 at 31/3/16.	
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 2015/16 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 Overall, there is an improvement of £1.3m since the last report which mainly relates to reduced costs relating to the purchase of care packages in Adult Social Services and further in year benefits from active treasury management.

4.3 The overall 2015/16 budget position is summarised in the table below:

Service Area	Previous Variation Cabinet 7 January 2016	Current Variation	Change
	£	£	£
Children's Safeguarding & Specialist Services	1,774,916	1,845,251	70,335
Education & Corporate Parenting	15,081	(52,762)	(67,843)
Family, Cohesion & Commissioning Services	103,616	(13,172)	(116,788)
Development, Business & Employment	100,000	12,751	(87,249)
Leisure, Culture & Facilities Management	(61,791)	(122,868)	(61,077)
Adult Social Services	1,577,002	1,000,000	(577,002)
Health, Well Being & Public Protection	100,987	33,044	(67,943)
Neighbourhood & Customer Services	(191,699)	(193,676)	(1,977)
Law, Democracy & People Services	(832,016)	(909,819)	(77,803)
Finance, Audit & Information Governance	(6,506,092)	(6,852,160)	(346,068)
Cooperative Council & Commercial Delivery Unit	(95,155)	(95,155)	0
Council Wide	0		0
Total Projected Variation	(4,015,150)	(5,348,565)	(1,333,415)
Uncommitted contingency	(4,212,000)	(4,212,000)	0
Total Projected Underspend	(8,227,150)	(9,560,565)	(1,333,415)
Transfer to Severance Fund		3,000,000	3,000,000
Transfer to Invest to Save/Capacity Fund		3,000,000	3,000,000
Total Projected Underspend after transfers	(8,227,150)	(3,560,565)	4,666,585

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

Service Area	Variance £m
<u>Children's Safeguarding & Specialist Services</u>	
Children in Care Placements (CiC) – currently projecting £1.545m overspend in 2015/16 which although in line with the £1.558m overspend reported at the end of 2014/15 does include a budget reduction of £0.3m. The position reflects 296 Looked After Children (at 6 Jan 2016) compared to 293 at the end of 2014/15. Good progress is being made against the cost improvement plan including step downs from high cost residential placements and most placement types are showing a reduced unit cost compared to 2014/15 however additional unforeseen pressure in year has offset the benefit.	+1.545
Internal Foster Carer Costs – payments to Foster Carers including transport costs and foster carer training.	+0.126
Staffing (Safeguarding) – including the cost of agency social workers and net of a contribution from the Invest to	+0.430

<p>Save Fund. It is intended to reduce the number of agency staff from 12.8 FTE to 4 FTE by the end of the year.</p> <p>Care Leavers Accommodation Costs – projecting to be under budget which is based on activity levels.</p> <p>Joint Adoption Service – pressures arising from the cessation of the Adoption Reform Grant that part-funded this service and savings targets not yet delivered. Work is underway to bring spend back within budget.</p> <p>Children not in Care/ in Need costs – adoption agency fees and costs relating to keeping children at home which are both alternatives to the higher care related costs.</p> <p>One off Funds – use of specific contingency set aside as part of the budget strategy</p> <p>The Service Area has a Cost Improvement Plan for 2015/16 which includes specific elements to reduce the reported overspends described above. Close monitoring and management by senior officers and members is in place to review progress against the Cost Improvement Plan targets set.</p>	<p>-0.191</p> <p>+0.177</p> <p>+0.211</p> <p>-0.750</p>
<p><u>Education & Corporate Parenting</u></p> <p>There are currently no variances over £0.100m to report.</p>	
<p><u>Family, Cohesion Services & Commissioning</u></p> <p>Transport Contracting & Commissioning – costs relating to Supporting People. The service is currently under review to deliver savings and is looking at innovative ways of providing support.</p> <p>Cohesion including homelessness and housing needs – higher than anticipated housing income received and updated estimates for temporary accommodation.</p>	<p>+0.202</p> <p>-0.111</p>
<p><u>Adult Social Services</u></p> <p>Purchasing budgets – the pressures reported throughout 2014/15 are continuing into 2015/16. This position is an improvement of £0.6m since the last report as the benefits delivered through the cost improvement plan start to be felt and a trend of reduced costs is being seen.</p> <p>Income – shortfall relating to client contributions</p>	<p>+3.586</p> <p>+0.390</p>

<p>Transport – a review group has been set up to look at ways to reduce expenditure and identify a more robust transport policy.</p> <p>One off Contingency – use of specific contingency set aside as part of the budget strategy</p> <p>One off Funds – use of one off reserves</p>	<p>+0.155</p> <p>-2.500</p> <p>-0.475</p>
<p><u>Public Health, Wellbeing & Public Protection</u></p>	
<p>Smoking Cessation Contract – saving arising from reduced demand and use of service.</p> <p>Working Age – Healthy Lifestyles & Health Trainers – in year vacancies has resulted in an underspend</p> <p>Public Health Grant – in year cut to the Public Health Grant funding announced by the Chancellor in June.</p>	<p>-0.205</p> <p>-0.130</p> <p>+0.773</p>
<p><u>Leisure, Culture & Facilities Management</u></p>	
<p>Income - The income targets for the Leisure centres are challenging. The BSF building works at Oakengates have impacted on this facility along with new income targets set for the proposed Synthetic Turf pitch. Swimming Lesson income projections have been revised due to the successful channel shift to Direct Debit, this has resulted in a one off, in year impact associated with the timing of payments, this change will result in additional income from 2016/17 onwards.</p>	<p>+0.166</p>
<p><u>Development, Business & Employment</u></p>	
<p>Regeneration & Investments – Property Investment Portfolio income shortfall on current projections.</p> <p>Property & Design – Admin Buildings – on off saving as a result of admin. buildings rationalisation</p> <p>Development Management & Planning Policy – overachievement of planning application fee income</p> <p>Employees – one off benefit arising from vacant posts across the service area.</p>	<p>+0.400</p> <p>-0.111</p> <p>-0.134</p> <p>-0.218</p>
<p><u>Neighbourhood & Customer Services</u></p>	
<p>ICT – pressure mainly arising from the increased number of Microsoft licenses required across the council.</p>	<p>+0.216</p>

Transport & Highways Development – one off savings from vacant posts	-0.245
<u>Finance, Audit & Information Governance</u>	
Treasury –this includes the benefit arising from current low interest rates and lower borrowing than anticipated in the earlier part of the year; together with £5.3m benefit from rescheduling debt repayments which is following considerable technical work and discussions with our external auditors.	-6.727
<u>Law, Democracy & People Services</u>	
Single Status - the budget for 2015/16 allowed for implementation of the single status settlement during the year which will not happen. This is net of the Payroll/HR IT system costs approved by Cabinet in July.	-0.800
<u>Co-operative Council Delivery Unit</u>	
There are currently no variances over £0.100m to report	

5.0 **CONTINGENCIES**

- 5.1 The 2015/16 budget includes a prudent general contingency of £2.776m, 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 £1.744m which forms part of the approved revenue budget but is only allocated to specific budgets when the relevant inflation indices are available. Given the exceptional cuts being made in the Council's budget it is imperative that the Council has a reasonable level of contingency in order to cover increases in demand for services (e.g. safeguarding which can be significant and occur with no warning) and to allow for any delays or shortfalls in the delivery of planned savings. The current position relating to contingencies is shown below:

	£
General Revenue Contingency	2,776,000
Inflation Contingency	1,744,000
Total Contingencies	4,520,000
Commitments:	
Current commitments for contractual inflation	208,000

Public Campaigns – approved Cabinet 10 December	100,000
Total Committed Use of Contingency	308,000
Balance currently remaining in Contingencies	4,212,000

Currently £4.2m remains in the contingency to meet any unforeseen costs in the remainder of the year.

6.0 **CAPITAL**

6.1 **2015/16 Capital Programme**

The capital programme totals £88.4m, 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 £86.4m (reflecting likely requirements for some further slippage of spend into later years).

Service Area	Budget	Year End Projection
	£m	£m
Education & Corporate Parenting	28.94	28.95
Development, Business & Employment	31.74	31.10
Neighbourhood & Customer Services	22.53	22.08
Adult Social Services	2.40	1.93
Customer Services	2.44	2.28
Cooperative Council Delivery Unit	0.23	0.03
Council Wide	0.12	0.000
Total	88.40	86.37

6.2 Some new allocations, virements and slippage are identified which is detailed in Appendix 3. These will be included in the capital programme which will be approved at Full council on 3 March 2016 as part of the Service & Financial Planning reports.

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 Cash collection remains in a very strong position in all three areas. In summary, the overall position for all income streams is:

INCOME COLLECTION – December 2015				
	Actual	Target	Performance	Change in cash collected on last year
Council Tax Collection	83.58%	83.63%	0.05% behind target	+£2,419,869
NNDR Collection	83.11%	83.19%	0.08% behind target	+ £1,976,467
Sales Ledger Outstanding Debt	6.18%	7.00%	0.90% ahead of target	+£8,757,821

7.3 Council Tax (£70.6m)

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 2014/15	96.7%
Year End Target for 2015/16	96.7%

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

Month End Target	Month End Actual	Last year Actual
83.63%	83.58%	83.63%

Council Tax collection is slightly behind target for December. Meaningful comparisons can not be made against last years data as December 2014 was not on target.

7.4 NNDR-Business Rates (£75.1m)

The % of business rates for 2015/16 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 2014/15	97.5%
Year End Target for 2015/16	97.6%

Month End Target	Month End Actual	Last year Actual
83.19%	83.11%	83.09%

Cash collected for business rates is £1.9m more than this point last year. We are slightly behind our month end target, but this can fluctuate with large payments which are due for business rates, and does not cause concern at this point in the year.

7.5 **Sales Ledger (£42.3m)**

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 2015/16 are as follows:

Age of debt	Annual Target %	December 2015	
		£m	%
Total	7.00	2.61	6.18%

Sales ledger performance continues to perform ahead of target.

8.0 **PREVIOUS MINUTES**

05/03/15 – Council, Service & Financial Planning Strategy
 25/06/15 - Cabinet, Service & Financial Planning Report – 2014/15 Outturn and 2015/16 Update
 23/07/2015 – Cabinet, Financial Management Report
 01/10/2015 – Council, Financial Management Report
 15/10/2015 – Cabinet, Financial Management Report
 26/11/2015 – Council, Financial Management Report
 10/12/2015 – Cabinet, Financial Management Report
 07/01/2016 – Cabinet, Financial Management Report
 21/01/2016 – Council, Financial Management Report

9.0 **BACKGROUND PAPERS**

2015/16 Budget Strategy / Financial Ledger reports

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