

TELFORD & WREKIN COUNCIL

**CABINET – 23 JULY 2015
COUNCIL – 1 OCTOBER 2015**

2015/16 FINANCIAL MANAGEMENT REPORT

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

LEAD CABINET MEMBER: CLLR LEE CARTER

PART A) – SUMMARY REPORT

1.0 SUMMARY OF KEY ISSUES

1.1 2015/16 Revenue

The net projected outturn position for 2015/16 is estimated to be within budget. This is after applying £3.6m currently available in central contingencies pending any further commitments which may arise during the rest of the year. Pressures in Adult Social Services and Childrens Safeguarding continue to be the key areas of concern and both areas have cost improvement plans in place to reduce costs and deliver savings.

Further cuts to local government funding are anticipated and with the Emergency Budget having been announced on the 8 July, which will be followed by the Comprehensive Spending Review and Autumn Statement later in the year, it is clear that there will be a requirement to deliver more savings both during 2015/16 and in later years. It is therefore important that all Service Areas spend within budget by year end and take every opportunity to identify further savings opportunities and where possible accelerate the delivery of planned savings which will support the Council's future position given the financial pressures which lie ahead.

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

- Public Health projected savings of £0.3m – however this is before taking into account the impact of the in-year cuts to Public Health funding announced by the Chancellor in early June. At the time of writing this report no figure has been put on this cut but on a pro rata basis, it would equate to around £0.78m to be found this year and then on a recurring basis . Clearly the cut may not be allocated between authorities on a pro rata basis so the actual in-year reduction to be found may be greater or less than £0.78m
- A benefit of £0.2m relating to Treasury Management activities

- 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 £3.1m 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 £1.2m 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 £107m which includes slippage and all approvals since the budget was set. At the time of compiling this report, projected spend was 95% of the budget allocation.

1.3 Corporate Income Collection

The collection levels for Business Rates is ahead of 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 2015/16 revenue spending is currently projected to be within budget and continue to work with SMT to sustain this position; and to approve the virement detailed in paragraph 4.4;**
- (ii) Note the position in relation to capital spend and that Cabinet recommend that Council approve the new allocations and slippage detailed in Appendix 3**
- (iii) Note the collection rates for NNDR, council tax and sales ledger.**

3.0 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Co-operative Council priorities?	
	Yes	Delivery of all priorities depend on the effective use of available resources. Regular financial monitoring in the financial management reports helps to highlight variations from plan so that action can be taken to effectively manage the Council's budget.
	Will the proposals impact on specific groups of people?	
	No	
TARGET COMPLETION/DELIVERY DATE	To outturn within the budget set for 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 lower risk.

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

Service Area	Current Variation
	£
Children's Safeguarding & Specialist Services	1,169,347
Education & Corporate Parenting	118,892
Family, Cohesion & Commissioning Services	306,118
Development, Business & Employment	200,000
Leisure, Culture & Facilities Management	4,670
Adult Social Services	3,057,725
Health, Well Being & Public Protection	(299,000)
Neighbourhood & Customer Services	107,268
Law, Democracy & People Services	(800,000)
Finance, Audit & Information Governance	(284,419)
Cooperative Council & Commercial Delivery Unit	0
Council Wide	0
Total Projected Variation	3,580,601
Use of Uncommitted Corporate Contingencies	(3,580,601)
Total Projected Year End Variation	0

4.3 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 £0.991m overspend which is an improvement when compared to the overspend of £1.558m at the end of 2014/15. This reflects 293 CiC at the 11 June 2015 (293 at 31 March 2015). Work is ongoing to further reduce costs which includes reviewing unit costs, the numbers of children in care and the placement strategy.	+0.991
Internal Foster Carer Costs – payments to Foster Carers including transport costs and foster carer training.	+0.141
Staffing (Safeguarding) – including the cost of agency social workers	+0.103
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.	+0.159

<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>+0.227</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>+0.317</p>
<p><u>Adult Social Services</u></p> <p>Purchasing budgets – the pressures reported throughout 2014/15 are continuing into 2015/16. The service has a cost improvement plan which if successfully delivered in full during 2015/16 would eradicate the overspend. This is being closely monitored by senior officers and members.</p> <p>Income – includes client contributions and contributions towards care from the CCG and funding towards Care Act costs together with use of reserves.</p> <p>Transport – spend is consistent with 2014/15 and remains over budget. 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 Funds – use of specific contingency set aside as part of the budget strategy</p>	<p>+6.820</p> <p>-1.654</p> <p>+0.154</p> <p>-2.500</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>-0.150</p>

<p><u>Leisure, Culture & Facilities Management</u></p> <p>Leisure Services – projected shortfalls against income targets due to the ongoing BSF works at Oakengates impacting on usage and new income targets for the proposed synthetic turf pitch.</p>	<p>+0.100</p>
<p><u>Development, Business & Employment</u></p> <p>Regeneration & Investments – Property Investment Portfolio income shortfall on current projections.</p>	<p>+0.300</p>
<p><u>Neighbourhood & Customer Services</u></p> <p>ICT – pressure arising from the increased number of Microsoft licenses required across the council.</p>	<p>+0.175</p>
<p><u>Finance, Audit & Information Governance</u></p> <p>Treasury –benefit arising from current low interest rates and lower borrowing than anticipated in the earlier part of the year.</p>	<p>-0.200</p>
<p><u>Law, Democracy & People Services</u></p> <p>Single Status - the budget for 2015/16 allowed for implementation of the single status settlement during the year which will not happen. Some associated system costs are required (see 4.4 below) and a residual underspend will remain.</p>	<p>-0.800</p>
<p><u>Co-operative Council Delivery Unit</u></p> <p>Detailed monitoring has not yet been undertaken for this Service Area in accordance with the risk based monitoring approach adopted by the Council.</p>	

- 4.4 The Council’s Payroll/HR IT system is due an upgrade (to ensure continued Supplier support and maintenance and support the implementation of single status). A business case is being developed which will be brought to a future meeting of SMT. An element of funding has been allocated in the ICT Capital Strategy towards the upgrade and it is proposed that the balance of funding required, estimated at £0.220m, is met from the single status budget underspend (mentioned above).

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	230,000
Total Committed Use of Contingency	230,000
Balance remaining in Contingencies	4,290,000
Required for Revenue Position	(3,580,601)
Residual balance in Contingencies	709,399

Currently £3.6m of the contingency is required to bring spend within budget in 2015/16. This leaves only £0.7m available to meet any unforeseen costs in the remainder of the year – including finding the balance of in-year cuts to public health and any other government grants following the Chancellor's budget.

6.0 **CAPITAL**

6.1 **2015/16 Capital Programme**

The capital programme totals £107m, which includes all approvals in the outturn report and those proposed in this report.

The financial position is shown in the table below which shows projected spend is currently shown at £101m (reflecting likely requirements for some further slippage of spend into later years).

Service Area	Budget	Year End Projection
	£m	£m
Education & Corporate Parenting	31.69	31.10
Development, Business & Employment	39.39	38.39
Neighbourhood & Customer Services	29.70	29.04
Adult Social Services	2.54	2.04
Customer Services	3.40	0.75
Cooperative Council Delivery Unit	0.23	0.03
Council Wide	0.12	0.00
Total	107.07	101.35

6.2 A number of virements, slippage and new allocations are put forward for approval which are detailed in Appendix 3.

7.0 **CORPORATE INCOME MONITORING**

7.1 The Council's budget includes significant income streams which are regularly monitored to ensure they are on track to achieve targets that have been set and so that remedial action can be taken at a very early stage. The three main areas are Council Tax, NNDR (business rates) and Sales Ledger. Current monitoring information relating to these is provided below. The Council pursues outstanding debt vigorously, until all possible recovery avenues have been exhausted, but also prudently provides for bad debts in its accounts.

7.2 In summary, 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 – May 2015				
	Actual	Target	Performance	Change in cash collected on last year
Collection Levels:				
Council Tax Collection	19.48%	19.55%	0.07% behind target	+ £361,219
NNDR Collection	23.20%	21.27%	1.93 ahead of target	+£2,227,186
Sales Ledger Outstanding Debt	11.71%	7.00%	4.71% behind target	+£434,080

7.3 Council Tax (£69.8m)

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
19.55%	19.48%	19.55%

Cash collected for council tax has increased by £361k compared to this point last year, and the debit figure that we are due to collect has increased by just over £2 million. Building growth in Telford has resulted in 1133 properties being built within the last 12 months. Percentage collection is only slightly under target by 0.07% compared to this point last year.

7.4 NNDR-Business Rates (£75.4m)

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
21.27%	23.20%	21.17%

We have collected £2.2million more than this time last year. The vast majority of this is due to internal TWC payments for business rates being made slightly earlier than last year.

7.5 **Sales Ledger (£34.9m)**

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 %	May 2015	
		£m	%
Total	7.00	4.10	11.71%

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 . Negotiations regarding payment for these invoices is currently taking place.

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

9.0 **BACKGROUND PAPERS**

2015/16 Budget Strategy / Financial Ledger reports

Report Prepared by:

Ken Clarke, Assistant Director: Finance, Audit & Information Governance (Chief Financial Officer) – 01952 383100;

Pauline Harris, Corporate Finance Manager – 01952 383701