

**TELFORD & WREKIN COUNCIL**

**CABINET – 20 OCTOBER 2011**

**2011/12 FINANCIAL MONITORING REPORT**

**REPORT OF THE HEAD OF FINANCE**

**PART A) – SUMMARY REPORT**

**1.0 SUMMARY OF KEY ISSUES**

**1.1 2011/12 Revenue**

**Revenue spending for the year is projecting to be within budget at year end** but only after using £2.011m of the remaining corporate contingency. There are a number of significant pressures in the budget for the current year and it is essential that Heads of Service continue to exercise tight control over their budgets.

The main identified pressures are:

- The cost of Adult Social Care purchasing which remains at a projected £0.9m overspend even after offsetting additional NHS grants against the impact of the PCT's withdrawal of funding for some cases of continuing healthcare needs. Most of the cost of supporting those people then falls on the Council.
- The cost of Children in Care Placements together with the use of agency staff in the Safeguarding Service – showing a combined variation of £0.9m although other variations within safeguarding reduce the net overspend to £0.76m.
- The cost of Specialist Education – projected overspend of £0.33m which mainly relates to stated provision
- Income shortfalls – a projected shortfall of £0.9m, relating to PIP rentals, planning fees, building control fees and licensing fees
- Contractual Inflation – inflationary pressures totalling £0.595m have been identified and funded from the corporate contingency

We are clearly aware that the council will have an extremely challenging position for next year and it is essential that very tight control on spend is exercised during 2011/12. Benefits from active treasury management, the insurance renewal process and the New Homes Bonus Grant total £1.310m. It is proposed to carry this benefit forward, together with any used part of the contingency in this year, to 2012/13 to create a one-off contingency for 2012/13. Other benefits reported include restructure/employee savings, transport efficiencies and concessionary travel.

The 100 Day Budget review proposals are currently out for consultation and will be approved at Council on 24<sup>th</sup> November. Until that time we are monitoring against the currently approved revenue budget. However, assuming that the proposals in the 100 Day Budget Review are approved a revenue benefit of £0.3m will be generated in the current year which is not reflected in the position set out in this report which would reduce the call on the Council's contingency to £1.711m.

## **1.2 Capital**

If the 100 day budget proposals are approved, the capital programme will total £100m which also reflects adjustments for re-phasing and, new approvals. Spend currently stands at 21% and robust programme management and monitoring is in place to ensure schemes are delivered. A number of new allocations and virements are detailed in Appendix 3 which are included for approval.

The capital programme funding includes a significant amount of capital receipts anticipated to be delivered over the period 2011/12 to 2014/15. Failure to achieve, or delays to, the receipts will have financial implications for the Council and the position is therefore being closely monitored. Current indications are that this level of receipts will be generated over this period.

## **1.3 Corporate Income Collection**

Collection levels for NNDR and Council Tax collection are behind target at the end of August and are being closely monitored. Sales Ledger debt continues to be pursued although reporting information is limited and is currently being developed following the implementation of the new financial management system.

## **2.0 RECOMMENDATIONS**

### **2.1 Members are asked to**

- (i) Note that 2011/12 revenue spend is currently projecting to be within budget at year end**
- (ii) Approve the proposed uses of the contingency detailed in section 6.1**
- (iii) Note the position in relation to capital spend and approve the new allocations and virements detailed in Appendix 3.**
- (iv) Note that income collection is slightly behind target for NNDR and Council Tax at the end of August.**

### 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. Regular financial monitoring helps to highlight variations from plan.
	No	
<b>TARGET COMPLETION/DELIVERY DATE</b>	To outturn within budget at 31/3/12	
<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 take action if overspends /shortfalls emerge.
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>	No	
<b>IMPACT ON SPECIFIC WARDS</b>	No	<i>Borough Wide</i>

### 4.0 PREVIOUS MINUTES

03/03/11 – Full Council, Service & Financial Planning Strategy  
 26/7/11 – Cabinet, 2011/12 Financial Monitoring

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

### **5.0 2011/12 REVENUE BUDGET**



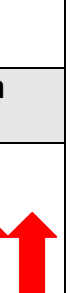
**5.1** Spend is projected to be within budget at year end which includes use of £2.011m of the remaining corporate contingency. The main changes since the last report are shown below:








<b>Variations - £m</b>	<b>July Cabinet Report</b>	<b>Change</b>	<b>Current Projected Variation</b>
Cost of Adult Care & Support provision	+2.500	+0.389	+2.889
Contribution from NHS funding transferred to the Council	-2.000	0.000	-2.000
Children in Care Placements Costs	-0.105	+0.699	+0.594
Safeguarding – Agency Spend	+0.153	+0.157	+0.310
Schools Multicultural Development Service - vacancies	0.000	-0.150	-0.150
Transport savings from operational efficiencies and demographic changes	0.000	-0.100	-0.100
Concessionary Travel – change in methodology subject to review	0.000	-0.150	-0.150
Planning, Building Control & Public Protection fee income	+0.279	+0.321	+0.600
Accelerated Restructure Savings	-0.088	+0.042	-0.046
Other Variations	-0.918	-0.328	-1.246
<b>Total Projected Variation</b>	<b>-0.179</b>	<b>+0.880</b>	<b>+0.701</b>
Cwfd to 12/13	1.331	-0.021	1.310
Call on Contingency	-1.152	-0.951	-2.011
Final Projected Variation	0	0	0








5.2 Variations of more than £0.100m are detailed in section 5.3 for each Service Delivery Unit. The overall 2011/12 budget position is summarised in the table below :







Service Delivery Unit	Accelerated Restructure Savings £	Service £	Total £
Safeguarding	0	763,722	763,722
School Improvement	(80,000)	79,582	(418)
Family & Community Services	(151,000)	10,093	(140,907)
Property & ICT	0	250,000	250,000
Economy & Skills	0	20,000	20,000
Environmental Services	(92,530)	(230,000)	(322,530)
Housing & Planning	0	546,000	546,000
Care & Support	0	889,000	889,000
Customer, Leisure & Libraries	(369,705)	(62,497)	(432,202)
Governance	(36,803)	(98,310)	(135,113)
Finance	(201,341)	2,694	(198,647)
Core Services	(414,937)	(130,398)	(545,335)
Council Wide	1,300,000	(1,292,681)	7,319
<b>Total Projected Variation</b>	<b>(46,316)</b>	<b>747,205</b>	<b>700,889</b>
Items to be carried forward to 2012/13			1,310,000
Call on Corporate Contingency			(2,010,889)
<b>Projected Year End Position</b>			<b>0</b>

5.3 Projected variances over £0.100m are highlighted below.

Key		
£0 to £100k	↑	 Underspend
£101+to £250k	↑↑	 Overspend
£251+to £500k	↑↑↑	
over £500k	↑↑↑↑	
Service Delivery Unit	Projected Variation £m	
<b><u>Safeguarding (Adults &amp; Children)</u></b>		
<b>Children in Care</b> – based on a total of 301 Children in Care (w.e. 23.9.11). An additional £1.4m was invested in Looked After Children	+0.594	

<p>as part of the 2011/12 budget strategy.</p> <p><b>Agency Staff</b> – overspend arising from the use of agency staff employed for various dates continuing up to the end of December to cover vacancies. The use of agency staff will be continually reviewed throughout the year.</p> <p><b>Support for Children in Need/Legal Costs and Assessments</b> – payments made to promote the welfare of children in need. The actual cost is dependent on the type of cases that arise during the year.</p>	<p>+0.310</p> <p>+0.149</p>	<p></p> <p></p>
<p><b><u>School Improvement</u></b></p> <p><b>School/Premature Retirement/Redundancy Costs</b> – due to the need to reduce costs and mitigate the ongoing financial pressure on schools. Current projections are based on information from HR on likely numbers and will be updated as appropriate to take into account redeployment etc.</p> <p><b>Schools Multicultural Development Service</b> – saving arising from posts being held vacant pending restructure.</p>	<p>+0.200</p> <p>-0.150</p>	<p></p> <p></p>
<p><b><u>Family &amp; Community Services</u></b></p> <p><b>Specialist Education</b> – the majority of the overspend relates to stated provision, which reflects the costs of new statements and additional support hours. Costs in this area are volatile due to the constant updating of available information and the projection could reduce as the year progresses.</p> <p><b>DSG</b> – underspent DSG from 2010/11 was carried forward to 2011/12 and any unallocated amounts could be used to offset the costs of Specialist Education Service provision.</p>	<p>+0.328</p> <p>-0.200</p>	<p></p> <p></p>
<p><b><u>Property &amp; ICT</u></b></p> <p><b>PIP Properties</b> – shortfall in rental and service charge income due to the higher level of voids.</p>	<p>+0.300</p>	<p></p>

<p><b><u>Housing &amp; Planning</u></b></p> <p><b>Planning</b> – shortfall in planning fees due to the downturn in the economy.</p> <p><b>Building Control</b> – shortfall in fee income</p> <p>Public Protection – shortfall in taxi license fee income</p>	<p>+0.300</p> <p>+0.180</p> <p>+0.120</p>	<p></p> <p></p> <p></p>
<p><b><u>Economy &amp; Skills</u></b></p> <p><b>Economic Development</b> – loss of grant funding for Education Business Partnership</p> <p>Mitigating action, including increased fees to offset grant reduction</p>	<p>+0.257</p> <p>-0.257</p>	<p></p> <p></p>
<p><b><u>Environmental Services</u></b></p> <p><b>Concessionary Transport</b> – benefit arising from the change in methodology in the scheme administration, subject to review</p>	<p>-0.150</p>	<p></p>
<p><b><u>Care &amp; Support</u></b></p> <p><b>Purchasing budgets</b> – as anticipated the significant upward trend from 2010/11 continues in 2011/12. The reported overspend is against a gross purchasing budget of £29.2m across all client groups, including residential care, home care, day care and adult placements. The pressure is exacerbated by the withdrawal of funding by the PCT from clients previously receiving NHS funding due to their ongoing primary health need. These costs are now falling either on the individual or in most cases on Council budgets. This projection is over and above costs impacting and funded ongoing in previous years and reflects the full year impact of clients reassessed by the PCT in 2010/11 and those reassessed in 2011/12. The position is being kept under close review and continues to be</p>	<p>+2.889</p>	<p></p>

raised and discussed with the PCT.		
<b>NHS Funding</b> – a mix of additional one off and ongoing funding from the Government and PCT to fund Local Authority Social Care, and having to be deployed against displaced PCT spending.	-2.000	
<b>Core Services</b> – staff savings	-0.130	
<b><u>Items to be Rolled Forward to 2012/13 to create one off benefit</u></b>		
<b>Treasury</b> – benefits from the re-phasing of schemes from 2010/11 to 2011/12 and the impact of new investments taken early in the year	-0.445m	
<b>Insurance</b> – reduced cost of insurance renewals for 2011/12 – this figure may alter as work is underway to confirm the split between schools and the rest of the Council	-0.250m	
<b><u>New Homes Bonus</u></b> - Unringfenced grant	-0.615m	
<b><u>Total Rolled Forward to 2012/13</u></b>	1.310m	

5.4 The 2011/12 budget includes £1.3m benefit from accelerated staff savings which has been achieved.

## 6.0 **CONTINGENCIES**

6.1 The 2011/12 budget includes combined contingencies of £3.768m, which are set aside to meet any unforeseen expenditure.

6.2

	£m
General Revenue Contingency	1.596
Income/Contract Inflation Contingency	1.072
Additional One Off Contingency (held in reserves)	1.100
<b>Total Contingency</b>	<b>3.768</b>
<b>Approved Spend:</b>	
Contractual Inflation – approved at Cabinet 26/7/11	0.595



<b>Commitments – to be approved:</b>	
Spend Associated with EDL March, over and above staff time which was met from existing budgets	0.010
Required to offset current projected variations	2.011
<b>Balance remaining in Contingencies</b>	<b>1.152</b>

## 7.0 **CAPITAL**

### 7.1 **2011/12 Capital Programme**

The capital programme totals £100m which is after including adjustments for re-phasing, new approvals and the impact of the 100 day budget review. Spend is shown in the table below and currently stands at 21% and robust programme management and monitoring is in place.

Priority	Budget £m	Spend To Date £m	%	Projection £m
Adult Care & Support	0.955	0.212	22	0.475
Active Lifestyles	0.459	0.053	12	0.458
Community Protection & Cohesion	2.648	0.622	23	1.942
Children & Young People	52.095	11.092	21	29.250
Housing, Regeneration & Prosperity	29.800	7.806	26	29.510
Efficient, Community Focussed Council	3.378	0.438	13	3.150
Environment & Rural Area	10.955	1.208	11	9.499
<b>Total</b>	<b>100.290</b>	<b>21.431</b>	<b>21</b>	<b>74.284</b>

7.2 The capital programme funding includes a significant amount of receipts anticipated to be delivered over the period 2011/12 to 2014/15. Failure to achieve, or delays to, the receipts will have financial implications for the Council and the position is being closely monitored.

7.3 There are a number of new allocations and virements detailed in Appendix 3 which are presented for approval.

## 9.0 **CORPORATE INCOME MONITORING**

9.1 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.

- 9.2 In summary, the overall position shows collection levels for both NNDR and Council Tax collection behind the target.

<b>INCOME COLLECTION – August 2011</b>			
	<b>Actual</b>	<b>Target</b>	<b>Performance</b>
<b>Collection Levels:</b>			
Council Tax Collection	48.32%	48.35%	0.03% Behind Target
NNDR Collection	50.42%	51.97%	1.55% Behind Target

9.3 **Council Tax (£59.2m)**

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 2010/11	98.0%
Year End Target for 2011/12	98.0%

Performance is cumulative during the year and expressed against the complete year's debit. Performance to the end of August is 0.03% behind the target set for this year but 0.1% ahead of performance at the same time last year:

Month End Target	Month End Actual	Last year Actual
48.35%	48.32%	48.22%

9.4 **NNDR-Business Rates (£66.3m)**

The % of business rates for 2011/12 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 2010/11	99.1%
Year End Target for 2011/12	99.1%

Performance at the end of August is 1.55% behind the month end target and 1.64% behind the collection at the same time last year. Collection rates for NDR do fluctuate during the year and the position will be closely monitored.

Month End Target	Month End Actual	Last year Actual
51.97%	50.42%	52.06%

9.5 **Sales Ledger (£43.6mm)**

Sales Ledger processing is part of the new financial management system. Sales invoicing was fully operational at the beginning of July when the system was implemented followed by the recovery process in early September. Debt is being actively pursued however information for reporting purposes is limited during this transitional phase and more detail will be brought to future meetings.

10.0 **BACKGROUND PAPERS**

2011/12 Budget Strategy / Financial Ledger reports

Report Prepared by: Ken Clarke, Head of Finance – 01952 383100;  
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