

TELFORD & WREKIN COUNCIL

CABINET – 23 FEBRUARY 2012

2011/12 FINANCIAL MONITORING REPORT

**REPORT OF THE ASSISTANT DIRECTOR: FINANCE, AUDIT &
INFORMATION GOVERNANCE**

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, this is after setting aside £2.145m to support the 2012/13 budget, by creating an additional one off contingency, the creation of an invest to save fund of £0.500m for 2012/13 and uses £1.121m of the remaining corporate contingency. This is an improvement of £0.836m compared to the last report, mainly due to the impact of vacant posts. 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 for the remainder of the year.

The main identified pressures are:

- The cost of Adult Social Care purchasing is projected to overspend by £0.973m even after offsetting other funding available from vacancies and one off reserves and additional NHS grants against the impact of the PCT's withdrawal of funding for some cases of continuing healthcare needs and the use of other one off balances available in 2011/12. Most of the cost of supporting those people then falls on the Council. It also takes into account the £0.490m one-off Winter Pressure funds announced by the Government in early January.
- The cost of Children in Care Placements together with the use of agency staff in the Safeguarding Service and associated legal costs – showing a combined variation of £1.8m, although other variations within Safeguarding reduce the net overspend to £1.6m.
- The cost of Specialist Education – projected overspend of £0.4m which relates to statemented provision
- Income shortfalls – a projected shortfall of £0.625m, relating to PIP rentals, planning fees, building control fees and licensing fees.
- As previously reported, 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, the New Homes Bonus Grant and £0.580m 2012/13 non-staff savings delivered early, total £2.145m. It is proposed to carry this benefit forward, together with any unused part of the contingency in this year, to 2012/13 to create a one-off contingency for 2012/13. It is also proposed to create an Invest to Save Fund for 2012/13. Other benefits reported include restructure/employee savings, transport efficiencies and concessionary travel.

1.2 Capital

The capital programme totals £84.3m which reflects adjustments for re-phasing, new approvals and the impact of the 100 Day Budget. Spend to the end of December stands at 47% and robust programme management and monitoring is in place. A number of new allocations, slippage 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, with no variation from receipts delivered compared to expectation to date.

1.3 Corporate Income Collection

Collection levels for Council Tax and NDR are slightly behind target; Sales Ledger debt is ahead of target at the end of December.

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 creation of an Invest to Save Fund totalling £0.500m which will be carried forward to 2012/13
- (iii) Note the position in relation to capital spend and approve the new allocations, slippage and virements detailed in Appendix 3, which will go to Cabinet, and then Full Council for formal approval at the next opportunity.
- (iv) Note that collection of council tax income and NNDR are slightly behind targets set at the end of December and Sales Ledger is ahead of target.

3.0 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	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	
TARGET COMPLETION/DELIVERY DATE	To outturn within budget at 31/3/12	
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	Borough Wide

4.0 PREVIOUS MINUTES

03/03/11 – Full Council, Service & Financial Planning Strategy
 26/7/11 – Cabinet, 2011/12 Financial Monitoring
 20/10/11 – Cabinet, 2011/12 Financial Monitoring
 24/11/11– Council, 2011/12 Financial Monitoring
 22/12/11 – 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 £1.121m of the remaining corporate contingency. The position has improved by £0.836m since the last report to Cabinet in December. The main changes are shown below:





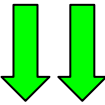

Variations - £m	December Cabinet Report	Change	Current Projected Variation
Care & Support Purchasing	+0.941	+0.522	+1.463
Social Care - Winter Pressure Funds	0.000	-0.490	-0.490
Safeguarding – cost of placements and agency staff	+1.343	+0.218	+1.561
School Improvement – a combination of transforming learning through technology, vacancies and lower than anticipated tax liability costs.	0.000	-0.230	-0.230
Family & Community Services – specialist education – placements and statemented provision	+0.541	-0.163	+0.378
Family & Community Services – savings arising from vacancies across the whole service area	0.000	-0.358	-0.358
Housing & Public Protection – savings arising from vacancies and capitalisation of project staff	0.000	-0.490	-0.490
Accelerated Restructure Savings	-0.604	-0.517	-1.121
Other Variations	-2.409	+0.172	-2.237
Total Projected Variation	-0.188	-1.336	-1.524
Cwfd to 12/13	+2.145	0.000	+2.145
Creation of Invest to Save Fund	0.000	+0.500	+0.500
Call on Contingency	-1.957	+0.836	-1.121
Final Projected Variation	0	0	0








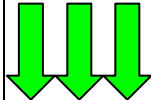
5.2 Variations of more than £0.100m are detailed in section 5.3 for each Service Delivery Unit. The overall 2011/12 budget position is summarised in the table below :









Service Delivery Unit	Accelerated Non Staff Savings £	Accelerated Restructure Savings £	Service £	Total £
Safeguarding	0	0	1,619,796	1,619,796
School Improvement	(90,000)	(325,000)	(223,042)	(638,042)
Family & Community Services	(115,000)	(563,000)	(489,328)	(1,167,328)
Property & ICT	0	(6,228)	250,000	243,772
Economy & Skills	(34,000)	0	65,000	31,000
Environmental Services	(187,000)	(60,084)	(230,000)	(477,084)
Housing & Planning	0	(1,119)	51,000	49,881
Care & Support	0	0	973,000	973,000
Customer, Leisure & Libraries	(37,481)	(493,736)	(99,857)	(631,074)
Governance	(39,710)	(64,485)	(176,016)	(280,211)
Finance	(34,000)	(342,300)	(15,155)	(391,455)
Core Services	(42,600)	(565,193)	(165,617)	(773,410)
Council Wide	0	1,300,000	(1,382,283)	(82,283)
Total Projected Variation	(579,791)	(1,121,145)	177,498	(1,523,438)
Items to be carried forward to 2012/13				2,144,791
Creation of Invest to Save Fund				500,000
Call on Corporate Contingency				(1,121,353)
Projected Year End Position				0







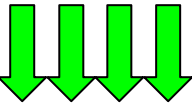
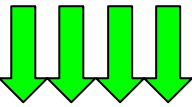

5.3 Projected variances over £0.100m are highlighted below.

Key		
£0 to £100k	↑	 Underspend
£101+to £250k	↑↑	 Overspend
£251+to £500k	↑↑↑	
over £500k	↑↑↑↑	

Service Delivery Unit	Projected Variation £m	
<p><u>Safeguarding (Adults & Children)</u></p> <p>Children in Care – based on a total of 301 Children in Care (w.e. 12/1/12). An additional £1.4m was invested in Looked After Children as part of the 2011/12 budget strategy.</p> <p>Agency Staff – overspend arising from the use of agency staff employed for various dates continuing up to the end of January to cover vacancies. Agency use is currently being reviewed but is likely to continue at current levels for the rest of the year which will have a detrimental effect on the variation.</p> <p>Support for Children in Need/Legal Costs and Assessments – 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>+1.223 [increased overspend]</p> <p>+0.338 [increased overspend]</p> <p>+0.206 [increased overspend]</p>	<p></p> <p></p> <p></p>
<p><u>School Improvement</u></p> <p>School/Premature Retirement/Redundancy Costs – 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>Schools Multicultural Development Service – saving arising from posts being held vacant pending restructure.</p> <p>DSG – there is likely to be an impact on the level of delegated to schools budgets as a result of the change in admission of early year children under 5. The level of this is currently being determined but any benefit will have to be re-invested in schools in 12/13.</p>	<p>+0.187 [reduced overspend]</p> <p>-0.125 [reduced benefit]</p>	<p></p> <p></p>
<p><u>Family & Community Services</u></p> <p>Specialist Education – the majority of the overspend relates to stated provision, which reflects the costs of new statements and additional support hours. Costs in this area</p>	<p>+0.258 [reduced overspend]</p>	<p></p>

<p>are volatile due to the constant updating of available information and the projection could reduce as the year progresses.</p> <p>Specialist Education – the overspend relates to 6 young people and is a combination of a shortfall in recoupment income as fewer pupils are placed within T&W and the cost of pupils placed outside Telford & Wrekin.</p> <p>DSG – 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>Transport – saving arising from operational efficiencies and demographic changes</p>	<p>+0.120 [reduced overspend]</p> <p>-0.367 [no change]</p> <p>-0.120 [no change]</p>	<p></p> <p></p> <p></p>
<p><u>Property & ICT</u></p> <p>PIP Properties – shortfall in rental and service charge income due to the higher level of voids.</p>	<p>+0.300 [no change]</p>	<p></p>
<p><u>Housing & Planning</u></p> <p>Planning – shortfall in planning fees due to the downturn in the economy.</p> <p>Building Control – shortfall in fee income</p>	<p>+0.200 [reduced overspend]</p> <p>+0.150 [reduced overspend]</p>	<p></p> <p></p>
<p><u>Economy & Skills</u></p> <p>Economic Development – loss of grant funding for Education Business Partnership</p> <p>Mitigating action, including increased fees to offset grant reduction</p>	<p>+0.257 [no change]</p> <p>-0.257 [no change]</p>	<p></p> <p></p>

<p>Post 16 Transport – shortfall in contributions from colleges and grant</p>	<p>+0.115 [no change]</p>	
<p>Various underspends on marketing and tourism budgets</p>	<p>-0.115 [increased benefit]</p>	
<p><u>Environmental Services</u></p>		
<p>Concessionary Transport – net benefit arising from the change in methodology in the scheme administration.</p>	<p>-0.150 [increased benefit]</p>	
<p>Highways & Transport – lean project relating to enhancement and maintenance of road infrastructure</p>	<p>+0.250 [increased overspend]</p>	
<p>Highways & Transport – service underspends and capital to fund lean project</p>	<p>-0.250 [increased benefit]</p>	
<p><u>Care & Support</u></p>		
<p>Purchasing budgets - the reported overspend is against a gross purchasing budget of £33.8m across all client groups, including residential care, home care, day care and adult placements. The pressure has mainly arisen from 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 discussed with the PCT. The overall position takes into account the use of one-off monies available in 2011/12.</p>	<p>+4.564 [increased overspend]</p>	
<p>Loss of internal services income due to PCT review of CHC clients.</p>	<p>+0.689 [increased overspend]</p>	
<p>NHS Funding – a mix of additional one off and ongoing funding from the Government and PCT to fund Local Authority Social Care, and</p>	<p>-2.000 [no change]</p>	

having to be deployed against displaced PCT spending.		
Winter Pressures Funds – one off funds given to the PCT which will be transferred to Local Authorities to support Social Care Services.	-0.490 [increased benefit]	
Other funding available to offset the purchasing overspend including vacancies and the use of one off reserves	-1.790 [increased benefit]	
Customer, Leisure & Libraries		
Aspirations – savings arising from posts held vacant being used to cover pressures elsewhere in the service area.	-0.129 [increased benefit]	
Core Services – staff savings		
	-0.165 [increased benefit]	
<u>Items to be Rolled Forward to 2012/13 to create one off contingency</u>		
Treasury – benefits from the re-phasing of schemes from 2010/11 to 2011/12 and the impact of new investments taken early in the year, together with the impact of the 100 day budget and changes to the investment portfolio	-0.700m [no change]	
Insurance – reduced cost of insurance renewals for 2011/12	-0.250m [no change]	
New Homes Bonus - Unringfenced grant	-0.615m [no change]	
Accelerated Non-Staff Savings – 2012/13 savings proposals delivered early in 2011/12.	-0.580 [no change]	
<u>Total Rolled Forward to 2012/13</u>	2.145m	

5.4 The 2011/12 budget includes £1.3m benefit from accelerated staff savings which has been over achieved by £1.1m largely due to holding posts vacant prior to restructures.

5.5 It is proposed that the £2.145m identified in the table above is carried forward to 2012/13 to provide an additional one-off contingency as part of the budget strategy and that an Invest to Save Fund totalling £0.500m is also created and carried forward to 2012/13.

6.0 CONTINGENCIES

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

	£m
General Revenue Contingency	1.596
Income/Contract Inflation Contingency	1.072
Additional One Off Contingency (held in reserves)	1.100
Total Contingency	3.768
Approved Spend:	
Contractual Inflation – approved at Cabinet 26/7/11	0.595
EDL Spend – approved at Cabinet 20/10/11	0.010
Commitments – to be approved:	
Required to offset current projected variations	1.121
Balance remaining in Contingencies	2.042

7.0 CAPITAL

7.1 2011/12 Capital Programme

The capital programme totals £84.3m 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 47% and robust programme management and monitoring is in place.

Priority	Budget £m	Spend To Date £m	%	Projection £m
Adult Care & Support	1.270	0.215	17%	1.101
Active Lifestyles	0.738	0.298	40%	0.737
Community Protection & Cohesion	1.937	1.177	61%	1.928
Children & Young People	40.342	17.555	44%	31.637
Housing, Regeneration & Prosperity	24.958	15.221	61%	24.030
Efficient, Community Focussed Council	4.778	1.108	23%	5.081
Environment & Rural Area	10.246	4.140	40%	10.065
Total	84.269	39.714	47	74.579

- 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, slippage and virements detailed in Appendix 3 which are presented for approval.

8.0 CORPORATE INCOME MONITORING

- 8.1 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.
- 8.2 In summary, the overall position shows collection levels for Council Tax ahead of target while NNDR collection and sales ledger outstanding debt are both slightly outside the targets set.

INCOME COLLECTION – DECEMBER 2011			
	Actual	Target	Performance
Collection Levels:			
Council Tax Collection	85.88%	85.97%	0.09% Outside Target
NNDR Collection	86.60%	87.66%	1.06% Outside Target
Sales Ledger Outstanding Debt	4.00%	4.50%	0.50% Inside Target

8.3 Council Tax (£59.3m)

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 December is 0.09% behind the target set for this year, which is an improvement on last month, and 0.05% behind of performance at the same time last year:

Month End Target	Month End Actual	Last year Actual
85.97%	85.88%	85.93%

8.4 **NNDR-Business Rates (£65.3m)**

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 November is 1.06% behind the month end target and 1.53% 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. Collection data is being further analysed to establish whether there are any trends and to determine which businesses are struggling to pay.

Month End Target	Month End Actual	Last year Actual
87.66%	86.60%	88.13%

8.5 **Sales Ledger (£52.4m)**

This includes general debt and Social Care debt. Debt below 2 months is classified as a normal credit period.

The target percent are set relating cumulative debt outstanding from all years to the current annual debit. The current targets and performance of income collection are as follows:

Age of debt	Annual Target %	Dec 2011	
		£m	%
Total	4.50	2.096	4.00%

Performance for sales ledger is within target.

9.0 **BACKGROUND PAPERS**

2011/12 Budget Strategy / Financial Ledger reports

Report Prepared by: Ken Clarke, Head of Finance – 01952 383100;
Pauline Harris, Corporate Finance Manager – 01952 383701