

**TELFORD & WREKIN COUNCIL**

**CABINET – 25 JULY 2013  
COUNCIL – 12 SEPTEMBER 2013**

**2013/14 FINANCIAL MONITORING REPORT**

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

**PART A) – SUMMARY REPORT**

**1.0 SUMMARY OF KEY ISSUES**

**1.1 2013/14 Revenue**

Current financial monitoring shows revenue spending for the year is projecting to be within budget at year end which is after using £4.1m of the budgeted contingencies (which includes allocation of the contractual inflation contingency) leaving £1.36m available in remaining contingencies.

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

- The cost of Children in Care Placements continues to be a pressure with an overspend of £1.3m being reported;
- A shortfall of £0.254m in relation to Lifelong Learning lost grant income;
- Care & Support Services are projecting a net overspend of £1.6m which is mainly due to savings anticipated from transformation initiatives not currently being delivered. There are also pressures relating to Care Leavers;
- ICT – the cost of maintenance contracts is giving rise to an overspend of £0.303m;
- A benefit of £0.500m arising from active treasury management;
- A refund of £0.731m in relation to previously top-sliced revenue support grant;
- A benefit of £0.148m from the West Mercia Energy Dividend.

**1.2 Capital**

The capital programme totals £127.7m which includes slippage from 2012/13. Spend at the time of compiling this report was around 4% which is broadly in line with previous years.

The capital programme funding includes a significant amount of capital receipts anticipated to be delivered over the medium term. Failure to achieve, or delays to, the receipts would have financial implications for the Council. The total value of receipts required in 2013/14 is £45.1m. Early monitoring indicates that £30m of these receipts will not now be

received until future years and options to manage this issue are currently being developed.

**1.3 Corporate Income Collection**

Collection levels for NNDR, council tax and Sales Ledger outstanding debt are all behind the targets set for the year.

**1.4 Spending Round 2013**

The Government's Spending Round 2013 was announced on the 26 June 2013 which set out spending plans for 2015/16. This included a 10% cut to local government funding and plans to increase overall capital spending from 2015/16. The Spending Round does not provide detailed information for individual local authorities and the actual impact for Telford & Wrekin Council will not be known until the Local Government Finance Settlement announcements are made for 2015/16. The Service & Financial Planning strategy will be updated as appropriate as more detail becomes available.

**2.0 RECOMMENDATIONS**

**2.1** Cabinet Members are asked to

- (i) Note that 2013/14 revenue spend is currently projecting to be within budget at year end and approve the uses of the budgeted contingency detailed in para. 6;
- (ii) Note the position in relation to capital spend and approve the new allocations and slippage detailed in Appendix 3;
- (iii) Note that collection rates for NNDR, council tax and sales ledger are all slightly behind the targets set for the year.
- (iv) Note the key points in the Governments Spending Round 2013 which re-affirm the continued pressure on local government funding.

**3.0 SUMMARY IMPACT ASSESSMENT**

<b>COMMUNITY IMPACT</b>	Do these proposals contribute to specific Priorities?	
	Yes	Delivery of all priorities 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 31/3/14	
<b>FINANCIAL/VALUE FOR</b>	Yes	The financial impacts are detailed

<b>MONEY IMPACT</b>		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	Borough Wide

#### 4.0 **PREVIOUS MINUTES**

07/03/13 – Full Council, Service & Financial Planning Strategy

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

#### 5.0 **2013/14 REVENUE BUDGET**

- 5.1 Financial monitoring is the responsibility of budget holders and is supported by Finance staff using a risk based approach: more focus is given to high risk areas (high value/highly volatile); less frequent monitoring is undertaken on low risk.
- 5.2 Variations of more than £0.100m are detailed in section 5.3 for each Service Delivery Unit. The overall 2013/14 budget position is summarised in the table below :

Service Delivery Unit	Total Current Variation
	£
Children's Safeguarding	527,847
Education & Skills	350,000
Family & Cohesion Services	0
Development, Business & Housing	212,000
Neighbourhood & Leisure Services	110,000
Care & Support	1,623,223
Customer & People Services	402,500
Law, Democracy & Public Protection	0
Finance, Audit & Information Governance	(204,961)
Cooperative Council Delivery Unit	0
Council Wide	(1,479,240)
<b>Total Projected Variation</b>	<b>1,541,369</b>
Call on Corporate Contingency	(1,541,369)
<b>Projected Year End Position</b>	<b>0</b>

5.3 Projected variances over £0.100m are highlighted below.

<b>Service Delivery Unit</b>	<b>Variance £m</b>
<b><u>Children's Safeguarding</u></b>	
<b>Children in Care</b> – currently projecting £1.3m overspend; this reflects 316 CiC at the 14 June (321 at 31 March 2013). The cost improvement plan is well established with the aim of bringing spend back in line with the budget. Current forecasts are that cost reductions are being seen as a result of implementing the plan however the specific contingency set aside will be required in full. Work is ongoing.	+1.348
Contingency – set aside to meet CiC pressures; will be required in full based on current projections.	-0.930
<b><u>Education &amp; Skills</u></b>	
<b>Lifelong Learning &amp; Skills</b> – loss of grant funding	+0.254
<b>Joint/Community Use</b> – loss of income from Phoenix and Shortwood schools.	+0.100
<b><u>Family &amp; Cohesion Services</u></b>	
Monitoring shows no significant variances to report at the current time. It should however be noted that the transport review is in its early stages, the outcome of which will confirm whether the savings required in 2013/14 will be delivered. Any variances will be highlighted in future reports.	
<b><u>Care &amp; Support</u></b>	
<b>Purchasing budgets</b> – the projected overspend relates to 2013/14 savings taken out of budgets which have not been delivered. One-off funds from the CCG are being used in 2013/14 to cover the significant pressure relating to Continuing Health Care clients experienced throughout last year.	+1.700
<b>Employees</b> – underspend arising from posts not yet filled	-0.331
<b>Care Leavers</b> – overspend relating to the cost of supporting 16-18 year olds as they leave care. A review of the service is commencing soon which is hoped will result in cost reductions.	+0.700

<p><b>Supporting People</b> – delay in achievement of saving combined with an increase in demand for the service.</p>	+0.515
<p><b>One off funding</b>- During the Year end closedown process one-off funding of £0.928m was identified which is being used to reduce the overall Care &amp; Support overspend.</p>	-0.928
<p><b><u>Neighbourhood &amp; Leisure Services</u></b></p> <p>There are currently no variances over £0.1m to report.</p>	
<p><b><u>Development, Business &amp; Housing</u></b></p> <p><b>Southwater</b> – the multi-storey car park currently being constructed is not expected to be operational until April 2014 and therefore the part-year budgeted income anticipated will not be received.</p>	+0.162
<p><b><u>Customer &amp; People Services</u></b></p> <p><b>ICT</b> – overspend relating mainly to increased costs associated with maintenance contracts.</p>	+0.303
<p><b><u>Finance, Audit &amp; Information Governance</u></b></p> <p>There are currently no variances over £0.1m to report.</p>	
<p><b><u>Law, Democracy &amp; Public Protection</u></b></p> <p>Detailed monitoring has not yet been undertaken for this Service Area in accordance with the risk based monitoring approach being adopted.</p>	
<p><b><u>Cooperative Council Delivery Unit</u></b></p> <p>Detailed monitoring has not yet been undertaken for this Service Area in accordance with the risk based monitoring approach being adopted</p>	
<p><b><u>Government Funding Refund</u></b> –refund in relation to previously top-sliced Revenue Support Grant.</p>	-0.731
<p><b><u>Treasury Management</u></b></p> <p>Benefit of active treasury management seeking to maximise benefits from low interest rates and lower borrowing than anticipated in the early part of the year. This position is likely to improve as the year progresses.</p>	-0.500
<p><b><u>Housing &amp; Council Tax Benefit Subsidy</u></b></p> <p>Projected benefit from recovery of overpayments.</p>	-0.100

<b>Purchase Rebates</b>	
Surplus dividend from West Mercia Energy relating to 2012/13 outturn performance.	-0.148

## 6.0 CONTINGENCIES

- 6.1 The 2013/14 budget includes a contingency of £2.5m, which is set aside to meet any unforeseen expenditure plus an amount held centrally for contractual inflation totalling £1.67m; and a specific amount of £1.3m earmarked for Safeguarding (children and adults).

	£
General Revenue Contingency	2,500,000
Inflation Contingency	1,670,000
Safeguarding Contingency	1,300,000
<b>Total Contingency</b>	<b>5,470,000</b>
<b>Commitments:</b>	
Estimated of contractual inflation (based on 2012/13 - actual will be allocated when detailed information known)	1,522,000
Safeguarding contingency applied to service overspend	930,000
Contribution to Georgia Williams Fund	500
Additions to Grass Cutting Programme	50,000
Winter maintenance pressures	66,000
Amount required to meet current Revenue Shortfall	1,541,369
<b>Total Use of Contingency</b>	<b>4,109,869</b>
<b>Balance remaining in Contingencies (this includes the £370k remaining in the specific safeguarding contingency earmarked for Care &amp; Support)</b>	<b>1,360,131</b>

## 7.0 CAPITAL

### 7.1 2013/14 Capital Programme

The capital programme totals £127.7m which incorporates slippage approved at the end of 2012/13.

The financial position is shown in the table below which shows spend at 4% of the budget allocation. Projected spend is currently shown in line with budget after adjusting for the new allocations and slippage shown in this report.

Priority	Budget £m	Spend To Date £m	%
Protect and Support our Vulnerable Children & Adults	3.958	0.152	3.8
Improve the Health & Wellbeing of our Communities	1.985	0.079	4.0
Protect and Create Jobs as a Business Supporting, Business Winning Council	20.861	0.790	3.8
Improve Local People's Prospects through Education & Skills	69.317	3.160	4.6
Regenerate Neighbourhoods in Need	9.676	0.618	6.4
Managing the Organisation	3.600	0.013	0.4
Ensure that Neighbourhoods are Safe and Clean	18.319	0.007	0.0
<b>Total</b>	<b>127.716</b>	<b>4.819</b>	<b>3.8</b>

Slippage and new allocations for approval are included in Appendix 3.

The 2013/14 programme relies on £45.1m capital receipts as part of its funding. Early monitoring indicates that around £30m of these receipts will not now be received until future years and options to manage this are currently being explored. The cost of short-term borrowing for the current year would be £113k which has been reflected in the net treasury management position reported.

## **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, NDR and sales ledger debt are behind the targets set.

<b>INCOME COLLECTION – May 2013</b>			
	<b>Actual</b>	<b>Target</b>	<b>Performance</b>
<b>Collection Levels:</b>			
Council Tax Collection	19.59%	19.77%	0.18% behind target
NNDR Collection	21.97%	23.63%	1.66% behind target
Sales Ledger (Outstanding Debt)	7.58%	5.50%	2.08% behind target

### 8.3 Council Tax (£65.9m)

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 2012/13 97.3%

Year End Target for 2013/14 97.0%

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

Month End Target	Month End Actual	Last year Actual
19.77%	19.59%	20.07%

The introduction of Council Tax Support, which replaced Council Tax Benefits on 1 April 2013 and cut funding, is expected to have an impact on collection as the number of claimants in receipt of full benefit/support has reduced.

Collection in the second month of the year is still behind performance for last year and the target for this year, but only by 0.18%. We are now proactively telephoning all benefit customers who receive a summons for non payment with a view to creating a payment culture by making payment arrangements with them and encouraging customers to pay.

### 8.4 NNDR-Business Rates (£70.9m)

Collection of Business Rates is of greater importance in 2013/14 as under the new Local Government Funding mechanism an element of rates collected is retained locally and directly forms part of the Council's overall funding. This transfers more risk to the Council from Central Government and it is vital that business rates income and collection is maximised.

The % of business rates for 2013/14 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 2012/13 97.3%

Year End Target for 2013/14 97.3%

Performance at the end of January is 0.24% behind the month end target and the collection at the same time last year. Collection performance for NNDR tends to fluctuate throughout the year, but at this stage, it would appear likely that collection will outturn below target.

Month End Target	Month End Actual	Last year Actual
23.63%	21.97%	23.63%

NDR collection for May is 1.66% behind target and performance at this time last year. During June we will introduce proactive telephone calls to businesses that receive summons, and then monitor the effectiveness of this new approach on collection. We are closely monitoring NDR collection on a monthly basis against the predicted level of income we expected to achieve when the budget was set.

#### 8.5 **Sales Ledger (£37.8m)**

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 are as follows:

Age of debt	Annual Target %	May 2013	
		£m	%
Total	5.50	2.865	7.58%

Performance for sales ledger outstanding debt is currently outside target and work has begun in earnest with colleagues in Legal to try to recover some older debts that are outstanding.

#### 9.0 **SPENDING ROUND 2013**

The Spending Round 2013, published on the 26 June 2013, announced the Government's spending plans for 2015/16. It specifically detailed how the Government plans to make £11.5bn of savings and increase capital spending plans by £3bn a year from 2015/16.

The main points to highlight are:-

- It only dealt with spending plans for 2015/16;
- £11.6bn Government savings were identified;
- This included a 10% cut in Local Government funding (but the impact will vary between authorities, in part because it is a net reduction after allowing for national totals for new homes bonus and council tax reduction grants);
- The Labour party have pledged to match the spending totals for 2015/16;

- The “Investing in Britain’s Future” document –sets out how £100bn infrastructure investment will be allocated over the next Parliament;
- A £3.8bn pooled budget for health and social care services for older and disabled people in 2015/16; transfer of £200m from NHS to local authorities in 2014/15;
- £335m available in 2015/16 so that council’s can prepare for reforms to social care funding;
- Consultation on a national funding formula for schools;
- Public Sector pay awards limited to 1% in 2015/16;
- School funding and pupil premium protected in real terms;
- A Council Tax freeze grant offer in 2014/15 and 2015/16 (although the spending round didn’t include details of the offer, information published since implies that the grant will be equivalent to 1% council tax prior to local council tax support scheme impacts);
- Council Tax referendum threshold in 2014/15 and 2015/16 to be 2%;
- As part of the funding for the “Investing in Britain’s Future” programme, the Government intend to use £400 million from the national control total for New Homes Bonus. The Government intend to consult on the mechanism for doing this which could have a significant impact on the level of New Homes Bonus assumed in the budget projections and consequently increase our assumed budget gap.

The Spending Round does not provide detailed information for individual local authorities and the actual impact for Telford & Wrekin Council will not be known until the Local Government Finance Settlement announcements are made for 2015/16 (it is not yet clear if this will be provisionally published in December 2013 or December 2014). The Service & Financial Planning strategy will be updated as appropriate as more detail becomes available.

## **10.0 BACKGROUND PAPERS**

2013/14 Budget Strategy / Financial Ledger reports

Report Prepared by:

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