

TELFORD & WREKIN COUNCIL

CABINET – 13 JULY 2017

COUNCIL – 21 SEPTEMBER 2017

2017/18 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 2017/18 Revenue

The net projected outturn position for 2017/18 is estimated to be within budget. This is after taking into account the specific contingency of £2.5m earmarked in the 2017/18 budget strategy for Early Help & Support pressures but without using any of the centrally held contingency.

It is a positive start to the year given that £13.8m savings were required to balance the 2017/18 budget and the aim is that senior managers will sustain this position and make further improvements where possible by year end.

Children's Safeguarding and Early Help & Support continue to be key areas of focus and both 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 main areas to highlight are:

- A benefit of £2.3m relating to Treasury Management activities - the majority of which relates to benefits from low interest rates for short term borrowing.
- Children's Safeguarding is a key pressure with an overspend of £1.0m being reported which is a combination of the cost of placements for Looked after Children, the cost of social workers and barrister costs. A four year model is in place which is designed to deliver efficiencies over the remainder of the year and medium term.
- Early Help & Support – overall the service is currently projecting to be within budget at year end. Purchasing care costs are £0.3m overspent which is being offset by employee savings.

The funding outlook for the medium term is still uncertain however it is anticipated that the Council will need to identify a further £15-£20m savings by the end of 2019/20 on top of the £13m already identified for 2017/18, so it is important that we maintain our excellent track record in managing budgets and maximise the position in 2017/18 which will assist in future years.

1.2 Capital

The capital programme totals £107.8m 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 go forward to Full Council in September for formal approval.

1.3 Corporate Income Collection

Council Tax and Business Rates collection are slightly behind targets set. The level of outstanding Sales Ledger debt is ahead of the target set for the year. Overall, the amount of cash collected is higher than at the same point last year. In total £9.9m more cash has been collected than at the same point last year.

2.0 RECOMMENDATIONS

2.1 Cabinet Members are asked to:-

- (i) Note that 2017/18 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 and Cabinet are asked to recommend that Council approve the new allocations, virements 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 2017/18 at 31/3/18. | |
| 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 2017/18 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 The overall 2017/18 budget position is summarised in the table below:

| Service Area | Current Variation |
|---|-------------------|
| | £ |
| Business, Development & Employment | 0 |
| Finance & HR | (2,300,000) |
| Cooperative Council Team | 0 |
| Children's Safeguarding | 1,016,192 |
| Education & Corporate Parenting | 493,540 |
| Early Help & Support | (0) |
| Governance, Procurement & Commissioning | 210,020 |
| Health & Wellbeing | 36,079 |
| Customer & Neighbourhood Services | 0 |
| Commercial Services | 25,000 |
| Council Wide | 0 |
| Total Projected Variation | (519,170) |
| Use of Contingency | 0 |
| Total Projected Underspend | (519,170) |

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

| Service Area | Variance £m |
|--|-------------|
| <u>Business, Development & Employment</u> | |
| There are no variations over £100k to report at present. | |
| <u>Finance & HR</u> | |
| Treasury Management – a benefit is currently reported due to reduced borrowing costs associated with short-term borrowing at very low interest rates. The position is regularly monitored by senior finance staff and the Council's external treasury management advisors and some longer term borrowing has been undertaken in 2017/18 to manage the risk of interest rate exposure. | -2.300 |
| <u>Cooperative Council Team</u> | |
| There are no variations over £100k to report at present. | |

| | |
|--|---|
| <p><u>Children's Safeguarding</u></p> <p>Children in Care Placements – considerable investment was made into this area as part of the budget strategy and the service has a 4 year placement model to ensure that the medium term strategy is delivered. The reported overspend reflects a variation in placement type numbers however it is anticipated that with the work underway that profiled savings for future periods should be met.</p> <p>Staffing (Safeguarding) – includes the cost of agency social workers</p> <p>Legal – the overspend reflects an increase in the volume of activity.</p> | <p>+0.261</p> <p>+0.223</p> <p>+0.152</p> |
| <p><u>Education & Corporate Parenting</u></p> <p>Specialist Services – saving target not fully met; a restructure will take place once the new Assistant Director is in post which will deliver the balance of savings required.</p> <p>Advisory Management and School Improvement traded Advisory Service - This relates to a shortfall against the income target for this area which is to be addressed through a combination of reductions in expenditure across the whole service area and the generation of additional income in other traded areas where possible.</p> <p>School Transport – the overspend relates to a saving target not yet delivered. Further work is being undertaken to verify the level of saving that will be achieved.</p> | <p>+0.111</p> <p>+0.163</p> <p>+0.228</p> |
| <p><u>Early Help & Support</u></p> <p>Purchasing budgets – the service has a cost improvement plan aimed at reducing expenditure by managing prices and demand. This initial monitoring reflects actual achievement against quarter one targets.</p> <p>Community Safeguarding & Social Work – employee related saving based on the current known structure.</p> <p>Service Improvement & Efficiency – employee related savings based on the current known structure.</p> <p>Community Early Help – employee related savings based on the current known structure.</p> | <p>+0.276</p> <p>-0.104</p> <p>-0.119</p> <p>-0.183</p> |
| <p><u>Governance, Procurement & Commissioning</u></p> <p>Commissioning – the cost improvement model in Early Help & Support includes a reduction to non-statutory expenditure on Supporting People and further work is required to realise this saving.</p> | <p>+0.268</p> |

| | |
|---|--------|
| <p><u>Health & Wellbeing</u></p> <p>There are no variations over £100k to report.</p> | |
| <p><u>Customer & Neighbourhood Services</u></p> <p>Engineering Service – shortfall against income target due to the number of vacant fee earning posts which have been difficult to recruit to. A service review is currently being finalised for implementation in 2017/18 which includes alternative options which meet the requirements of both internal and external customers of this service, to support the service to achieve revised income targets.</p> | +0.212 |
| <p><u>Commercial Services</u></p> <p>There are no variations over £100k to report.</p> | |

CONTINGENCIES

- 5.1 The 2017/18 budget includes a prudent general contingency of £3.386m, 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 £1.196m which forms part of the approved revenue budget and will only be allocated to specific budgets when the relevant inflation information is 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:

| | £'000 |
|--|--------------|
| General Revenue Contingency | 3.386 |
| Inflation Contingency | 1.196 |
| Total Contingencies | 4.582 |
| Proposed use: | |
| There are currently no proposed uses. | |
| Commitments: | |
| Required to meet the current revenue overspend | 0 |
| Residual Balance | 4.582 |

The current revenue position is a projected underspend therefore there is no call on the contingency to balance the budget at this stage. The full £4.6m remains

available to meet any unforeseen costs in the remainder of the year. It should be noted that RPI was 3.7% in May 2017 from 2% in September 2016 showing an increasing trend over the past 7 months. If this continues there is likely to be pressure on all services and in particular major contracts; the position will be assessed over the next few months. Successful negotiations as part of the triennial evaluation of the Shropshire Pension Fund have resulted in employers pension costs being lower than budgeted. This benefit will be retained until further information in relation to the overall inflation position is known.

As part of the 2017/18 budget process £9.7m was set aside in reserves to provide additional assurance to support both 2017/18 and the Medium Term Financial Strategy.

6.0 **CAPITAL**

6.1 **2017/187 Capital Programme**

The capital programme totals £107.7m, 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 £105.4m.

| Service Area | Current Budget | Spend to Date | % Spend | Year End Projection |
|--|----------------|---------------|------------|---------------------|
| | £m | £m | | £m |
| Development Business & Employment | 53.18 | 10.8 | 20% | 51.28 |
| Customer & Neighbourhood Services | 27.29 | 1.3 | 5% | 27.29 |
| Education & Corporate Parenting | 7.93 | 0.2 | 2% | 8.57 |
| Early Help & Support | 1.15 | 0.0 | 0% | 1.15 |
| Health & Well-Being | 0.57 | 0.3 | 45% | 0.58 |
| Co operative Council & Commercial Delivery | 2.15 | 0.0 | 0% | 2.15 |
| Governance Procurement & Commissioning | 0.54 | 0.0 | 0% | 0.54 |
| Finance & Human Resources | 4.73 | 0.0 | 0% | 4.73 |
| Commercial Services | 10.25 | 1.5 | 15% | 9.17 |
| Total | 107.77 | 14.1 | 13% | 105.45 |

6.2 Some new allocations, virements and slippage are identified 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 for Sales Ledger is above target while council tax and NNDR collection are slightly behind target. Cash collection has increased for council tax and sales ledger, but is below that expected in NNDR so far.

| INCOME COLLECTION – May 2017 | | | | |
|-------------------------------------|---------------|---------------|-----------------------|--|
| | Actual | Target | Performance | Change in cash collected on last year |
| Council Tax Collection | 19.21% | 19.50% | 0.29% behind target | +£598,959 |
| NNDR Collection | 24.54% | 25.20% | 0.66% behind target | - £588,343 |
| Sales Ledger Outstanding Debt | 5.39% | 6.00% | 0.61% ahead of target | +9,933,055 |

7.3 Council Tax (£78.9m)

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 2016/17 | 97.45% |
| Year End Target for 2017/18 | 97.45% |

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

| Month End Target | Month End Actual | Last year Actual |
|------------------|------------------|------------------|
| 19.50% | 19.21% | 19.54% |

We have collected over £500k more in council tax this year compared to last year. Collection rates for council tax are 0.3% behind this point last year but does not cause concern this early in the financial year.

7.4 NNDR-Business Rates (£76.5m)

The % of business rates for 2017/18 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 2016/17 | 98.49% |
| Year End Target for 2017/18 | 98.50% |

| | | |
|------------------|------------------|------------------|
| Month End Target | Month End Actual | Last year Actual |
| 25.20% | 24.54% | 25.21% |

Business rates is 0.66% behind target, although NNDR can tend to fluctuate during the early months of a new financial year. Businesses will be re-adjusting to their new business rate payments following the re-valuation which took effect in April.

7.5 **Sales Ledger (£49.7m)**

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 2017/18 are as follows:

| Age of debt | Annual Target % | May 2017 | |
|-------------|-----------------|----------|-------|
| | | £m | % |
| Total | 6.00 | 2,678 | 5.39% |

Sales ledger performance is well within target, and performance is looking strong due to payment received from some of the larger invoices which had been outstanding for a period of time.

8.0 **PREVIOUS MINUTES**

02/03/17 – Council, Service & Financial Planning Strategy

19/6/17 - Cabinet, Service & Financial Planning Report – 2016/17 Outturn and 2017/18 Update

9.0 **BACKGROUND PAPERS**

2017/18 Budget Strategy / Financial Ledger reports

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