

TELFORD & WREKIN COUNCIL**CABINET – 15 OCTOBER 2015
COUNCIL – 26 NOVEMBER 2015****2015/16 FINANCIAL MANAGEMENT****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 and is an improvement of £0.9m on the position reported to Cabinet on 23 July. This improvement reflects the strength of financial management being exercised by Cabinet Members and senior managers.

The Senior Management Team will continue to closely manage spend and where possible will identify further saving opportunities and potential one-off benefits which will have a positive impact on the overall position for 2015/16 and, where ongoing, will also assist in meeting the significant financial challenges which lie ahead. It is anticipated that with the Government pledging to protect spending on health, education, defence and overseas aid, local government will face very significant further reductions in resources over the remainder of this Parliament. The Council will not know what its budget gap for next year is until the Government issue the local government finance settlement at some point during December. However, work is progressing on developing a range of options for further savings. It is inevitable that many of these new savings proposals are likely to have greater front line service impacts than the savings made to date which have focussed on driving down staffing levels and other costs and improving efficiency within the organisation. The council will engage in extensive consultation on its savings proposals for next year, starting in January.

The overall position is after applying £2.7m from corporate contingencies. A further £1.6m currently remains available in central contingencies which could offset any further commitments that may arise during the remainder of the year. However, the intention is to drive further improvements in the overall financial position in order to support the service and financial planning strategies of future years. Adult Social Services and Children's Safeguarding continue to be key

areas of pressure and both areas 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 key areas to highlight are:

- A benefit of £0.7m relating to Treasury Management activities
- The projections include an assumed in-year reduction in the public health grant of £0.77m. Whilst the Government have issued a consultation document on options for making an in-year reduction to the grant they have yet to confirm how much the reduction will be.
- 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 £1.9m, which is an improvement since the last monitoring report, 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 £1.6m 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.

Since the last financial management report was considered by the Cabinet, KPMG, the Council's independent external auditors have completed their review of the Council's statement of accounts for 2014/15. The Council has once again received an unqualified audit opinion on its accounts and no changes had to be made as a result of the audit that impact on the Council's revenue budget position.

1.2 Capital

The capital programme totals £102m 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 a number of new allocations, virements and slippage which are presented for approval (detailed in Appendix 3) together with some changes to the funding of the capital programme. Capital receipts included in the medium term budget strategy are under continual review and any changes will be reflected in future budget projections. Updates will be provided in future monitoring reports.

1.3 Corporate Income Collection

The collection levels for Business Rates and Council Tax are ahead of target whilst Sales Ledger outstanding debt is slightly behind the target 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;
 - (ii) Note the position in relation to capital spend and that Cabinet recommend that Council approve the new allocations, slippage and virements 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 main changes since the last report are:

Variations - £m	23/7/15 Cabinet	Change	Current Projected Variation
Children in Care Placements	+0.991	+0.257	+1.248
Safeguarding Staffing Costs	+0.103	+0.294	+0.397
Adult Social Services – External Purchasing/ Income	+5.166	-0.464	+4.702
Adult Social Services – use of one off funds	0.000	-0.400	-0.400
Public Health Grant - anticipated in year grant cut	0.000	+0.772	+0.772
Treasury Management	-0.200	-0.500	-0.700
Other Variations	-2.480	-0.875	-3.355
Total Projected Variation	+3.580	-0.916	+2.664
Call on Contingency	-3.580	+0.916	-2.664
Final Projected Variation	0.000	0.000	0.000

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

Summary of 2015/16 Projected Variations

Service Area	Previous Variation - Cabinet 23 July 2015	Current Variation	Change
	£	£	£
Children's Safeguarding & Specialist Services	1,169,347	1,590,182	420,835
Education & Corporate Parenting	118,892	90,178	(28,714)
Family, Cohesion & Commissioning Services	306,118	296,130	(9,988)
Development, Business & Employment	200,000	200,000	0
Leisure, Culture & Facilities Management	4,670	10,000	5,330
Adult Social Services	3,057,725	1,937,143	(1,120,582)
Health, Well Being & Public Protection	(299,000)	204,000	503,000
Neighbourhood & Customer Services	107,268	0	(107,268)
Law, Democracy & People Services	(800,000)	(850,551)	(50,551)
Finance, Audit & Information Governance	(284,419)	(784,419)	(500,000)
Cooperative Council & Commercial Delivery Unit	0	(28,289)	(28,289)
Council Wide	0	0	0
Total Projected Variation	3,580,601	2,664,374	(916,227)
Use of Uncommitted Corporate Contingencies	(3,580,601)	(2,664,374)	916,227
Total Projected Year End Variation	0	0	0

4.4 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 £1.248m overspend which is an improvement when compared to the overspend of £1.558m at the end of 2014/15, but an increased cost since the last report. This reflects 289 CiC at the 10 Sept 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.	+1.248
Internal Foster Carer Costs – payments to Foster Carers including transport costs and foster carer training.	+0.149
Staffing (Safeguarding) – including the cost of agency social workers	+0.397
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	+0.159

underway to bring spend back within budget.	
Direct Payments – relating to personal care for children with disabilities.	+0.104
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.	+0.240
One off Funds – use of specific contingency set aside as part of the budget strategy	-0.750
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.	
<u>Education & Corporate Parenting</u>	
There are currently no variances over £0.100m to report.	
<u>Family, Cohesion Services & Commissioning</u>	
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.	+0.210
<u>Adult Social Services</u>	
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.	+4.844
Income – includes client contributions and contributions towards care from the CCG and funding towards Care Act costs together with use of reserves.	-0.141
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.	+0.181
One off Contingency – use of specific contingency set aside as part of the budget strategy	-2.500

One off Funds – use of one off reserves	-0.400
<u>Public Health, Wellbeing & Public Protection</u>	
Smoking Cessation Contract – saving arising from reduced demand and use of service.	-0.190
Public Health Grant – anticipated in year cut to the Public Health Grant funding announced by the Chancellor in June. This is estimated on a pro-rate basis as the methodology to allocate the cut is currently being consulted on by the Department of Health.	+0.772
<u>Leisure, Culture & Facilities Management</u>	
There are currently no variances over £0.100m to report.	
<u>Development, Business & Employment</u>	
Regeneration & Investments – Property Investment Portfolio income shortfall on current projections.	+0.300
<u>Neighbourhood & Customer Services</u>	
ICT – pressure mainly arising from the increased number of Microsoft licenses required across the council.	+0.189
<u>Finance, Audit & Information Governance</u>	
Treasury –benefit arising from current low interest rates and lower borrowing than anticipated in the earlier part of the year.	-0.700
<u>Law, Democracy & People Services</u>	
Single Status - the budget for 2015/16 allowed for implementation of the single status settlement during the year which will not happen. This is net of the Payroll/HR IT system costs approved by Cabinet in July.	-0.800
<u>Co-operative Council Delivery Unit</u>	
There are currently no variances over £0.100m to report	

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	208,000
Total Committed Use of Contingency	208,000
Balance remaining in Contingencies	4,312,000
Required for Revenue Position	(2,664,374)
Residual balance in Contingencies	1,647,626

Currently £2.7m of the contingency is required to bring spend within budget in 2015/16. This leaves £1.6m available to meet any unforeseen costs in the remainder of the year

6.0 **CAPITAL**

6.1 **2015/16 Capital Programme**

The capital programme totals £102m, which includes the approvals in 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	31.66	31.52
Development, Business & Employment	36.85	37.45
Neighbourhood & Customer Services	28.78	27.52
Adult Social Services	2.39	1.93
Customer Services	2.44	2.38
Cooperative Council Delivery Unit	0.23	0.23
Council Wide	0.12	0.00
Total	102.47	101.03

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

6.3 The 2015/16 capital programme relies on £25.110m of receipts as part of its funding (after adjusting for changes already approved). Current monitoring indicates some of these receipts are not now expected to be received in 2015/16 (the majority of which are now anticipated in 2016/17 and 2017/18) which, including the impact of some additional receipts, will give a total of just over £12m being received in 2015/16. It is proposed that the funding of the capital programme is updated to reflect this latest position. This has the impact of additional short-term borrowing being required until the receipts are received which is already reflected in the treasury projections shown in this report. Capital receipts included in the medium term budget strategy are under continual review and any changes will be reflected in future budget projections. Updates will be provided in future monitoring reports.

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 taxation is ahead of target and sales ledger is slightly behind the target set. Cash collection remains in a very strong position in all three areas.

INCOME COLLECTION – August 2015				
	Actual	Target	Performance	Change in cash collected on last year
Council Tax Collection	46.94%	46.82%	0.12% ahead of target	+ £1,035,000
NNDR Collection	49.16%	48.59%	0.57% ahead of target	+£1,780,042
Sales Ledger Outstanding Debt	7.99%	7.00%	0.99% behind target	+£2,293,442

7.3 Council Tax (£70.3m)

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 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
46.82%	46.94%	46.82%

Cash collected for council tax has increased by £1m 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 1162 properties being built within the last 12 months. Percentage collection is above target by 0.12%.

7.4 NNDR-Business Rates (£75.9m)

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
48.59%	49.16%	48.49%

We have collected £1.7million more than this time last year, and collection is well above target for this stage in the financial year.

7.5 Sales Ledger (£39.2m)

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 2015/16 are as follows:

Age of debt	Annual Target %	August 2015	
		£m	%
Total	7.00	3.13	7.99%

Sales ledger performance is outside target but debt outstanding has reduced by just under £1m since the last report to Cabinet. The arrears position 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 such as payments for the CCG and MAT. Discussions regarding payment for these invoices is currently taking place and significant progress has been made. The DfE have agreed a payment arrangement for MAT debt arrears and the CCG have agreed to make payment for the majority of outstanding debts which will be reflected in the figures presented in the next Financial Management report to Cabinet.

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
 23/7/2015 – Cabinet, Financial Management Report

9.0 BACKGROUND PAPERS

2015/16 Budget Strategy / Financial Ledger reports

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