

## **TELFORD & WREKIN COUNCIL**

**CABINET – 26 JULY 2012**

**COUNCIL – 13 SEPTEMBER 2012**

### **2012/13 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 2012/13 Revenue**

Initial financial monitoring shows revenue spending for the year is projecting to be within budget at year end which is after using £2.6m of the budgeted contingency. More detailed monitoring will take place over the coming months which will feed into future reports.

The main pressures identified are:

- The cost of Children in Care Placements together with the use of agency staff in the Children's Safeguarding Service and associated legal costs – showing a combined variation of £1.970m
- The cost of Adult Social Care purchasing is projected to overspend by £0.320m which is after offsetting anticipated one-off funding from the NHS totalling £4.7m. The majority of the overspend relates to the PCT's withdrawal of funding for some clients with healthcare needs and the costs of supporting these people falling on the Council.
- A shortfall in client contributions towards Adult Social Care costs estimated at £0.400m
- The cost of Specialist Education – projected overspend of £0.300m which relates to stated provision; this is being partly offset by DSG funding brought forward from 2011/12.
- School Meals Income shortfall – a projected shortfall of £0.200m which is mainly due to fewer schools buying back into the catering service

Benefits from active treasury management, vacancies and other small service variances are also reported.

#### **1.2 Capital**

The capital programme totals £112.7m which includes re-phasing approved as part of outturn. Robust programme management and monitoring is in place.

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 position is being closely monitored and while there have been some changes since the budget was set, total receipts are currently on track.

### **1.3 Corporate Income Collection**

NNDR Collection is ahead of target; collection levels for council tax and Sales Ledger outstanding debt are behind target.

## **2.0 RECOMMENDATIONS**

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

- (i) Note that 2012/13 revenue spend is currently projecting to be within budget at year end
- (ii) Approve the proposed uses of the budgeted contingency detailed in para. 6.1 and extend the existing delegated authority in relation to approving bids against the capacity fund to cover the additional amount approved.
- (iii) Note the position in relation to capital spend and make a recommendation to Full Council that the slippage and new allocations identified in Appendix 3 are approved
- (iv) Note that collection of nndr income is ahead of target while Council Tax collection and Sales Ledger outstanding debt are behind targets set.

## **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 31/3/13	
<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	Borough Wide

#### 4.0 **PREVIOUS MINUTES**

01/03/12 – Full Council, Service & Financial Planning Strategy



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







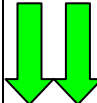
#### **5.0 2012/13 REVENUE BUDGET**

- 5.1** Financial monitoring is undertaken following a risk based approach: more focus is given to high risk areas (high value/highly volatile); less frequent monitoring is undertaken on low risk areas with budget holders having a role in reviewing their own service position.
- 5.2** Initial monitoring shows that spend is projected to be within budget at year end which includes use of £2.6m of the remaining corporate contingency.
- 5.3** Variations of more than £0.100m are detailed in section 5.4 for each Service Delivery Unit. The overall 2012/13 budget position is summarised in the table below :

Service Delivery Unit	Total Variation
	£
Children's Safeguarding	1,941,821
Education, Culture & Skills	(34,000)
Family & Cohesion Services	(81,468)
Care & Support	833,000
Customer & People Services	293,883
Finance, Audit & Information Governance	(118,820)
Council Wide	(200,000)
<b>Total Projected Variation</b>	<b>2,634,416</b>
Call on Corporate Contingency	(2,634,416)
<b>Projected Year End Position</b>	<b>0</b>

**5.4** 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</u></b>		
<b>Children in Care</b> – based on a total of 305 Children in Care (mid June). This takes into account the £0.5m budget reduction as part of the 12/13 savings package.	+1.395	↑↑↑↑
<b>Agency Staff</b> – overspend arising from the use of agency staff employed to cover vacancies.	+0.324	↑↑↑
<b>Support for Children in Need/Legal Costs and Assessments</b> – costs associated with court proceedings, specific support for children in need and specific assessment requests.	+0.254	↑↑
<b><u>Education, Culture &amp; Skills</u></b>		
<b>Employees</b> – anticipated impact from the restructure and vacancies.  There is also a potential risk of reduced income relating to traded services; further work is needed to establish the financial impact.	-0.130	↓↓
<b><u>Family &amp; Cohesion Services</u></b>		
<b>Specialist Education</b> – projected overspend based on numbers currently in the system and an estimate of future statements. Projections of expenditure in this area are volatile due to the constant updating of information.	+0.300	↑↑↑
<b>DSG</b> – funding brought forward from 2011/12 and provisionally agreed by the Schools Forum to be used against pressures on statements.	-0.250	↓↓

There is also a potential risk of reduced income relating to traded services; further work is needed to establish the financial impact.		
<b><u>Care &amp; Support</u></b>		
<b>Purchasing budgets</b> – continuing the trend reported in 2011/12, resulting mainly from the impact of the PCT's withdrawal of funding to clients due to their review of eligibility criteria resulting in more Continuing Health Care (CHC) costs falling on the council. The Council is engaged in productive dialogue with the PCT and it is anticipated that the impact in 12/13 will be mitigated – see below.	+5.050	
<b>NHS/PCT Funding</b> – anticipated funding from the PCT in relation to clients with a Primary Health Need (CHC clients) as they rebalance their spending.	-2.700	
<b>Other NHS Funding</b> - funds passed to the PCT by the Department of Health to support Social Care in Local Authorities.	-2.030	
<b>Income</b> – shortfall of client contributions from all client groups.	+0.400	
<b>Care Leavers</b> – overspend relating to the cost of supporting 16-18 year olds as they leave care.	+0.113	
<b><u>Customer &amp; People Services</u></b>		
Education catering client account – shortfall against free school meals income budget partly due to schools not buying back into the service.	+0.199	
<b><u>Treasury Management</u></b>		
Benefit of low interest rates and lower borrowing than anticipated in the early part of the year.	-0.200	

## 6.0 **CONTINGENCIES**

- 6.1 The 2012/13 budget includes combined contingencies of £7.391m, which are set aside to meet any unforeseen expenditure.

	£m
General Revenue Contingency	1.596
Inflation Contingency *	2.550
Additional One Off Contingencies (held in reserves)	3.245
<b>Total Contingency</b>	<b>7.391</b>
<b>Proposed Uses:</b>	
Insurance premium – additional costs at renewal	0.010
Payment to the Information Commissioner	0.072
West Midlands Council European Service – contractual obligations	TBC
Council Wide Capacity Fund – additional resources to provide capacity required to support major projects and deliver savings	0.500
Amount required to meet current Revenue Shortfall	2.634
<b>Balance remaining in Contingencies</b>	<b>4.175</b>

\*A review of all the Council's reserves and balances will be undertaken over the next few months which will include known commitments/uses of the inflation contingency shown above.

## 7.0 **CAPITAL**

### 7.1 **2012/13 Capital Programme**

The capital programme approved as part of the Service & Financial Planning Strategy for 2012/13 was £95.9m. Re-phasing of schemes from 2011/12 (approved as part of the outturn report) was £16.8m giving a total approved programme of £112.7m . Robust programme management and monitoring is in place.

New allocations (including Invest to Save bids approved under the delegated authority granted by Cabinet in June 2012) and rephasing of schemes which require approval and are detailed in Appendix 3.

- 7.2 The capital programme funding includes a significant amount of 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 position is being closely monitored and while there have been some changes since the budget was set, total receipts are currently on track.

## 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 NNDR ahead of target and sales ledger debt and council tax are outside the targets set.

<b>INCOME COLLECTION – JUNE 2012</b>			
	<b>Actual</b>	<b>Target</b>	<b>Performance</b>
<b>Collection Levels:</b>			
Council Tax Collection	29.36%	29.53%	0.17% behind target
NNDR Collection	33.60%	33.28%	0.32% inside target
Sales Ledger Outstanding Debt	9.39%	5.50%	3.89% behind target

### 8.3 **Council Tax (£61.1m)**

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 2011/12	97.8%
Year End Target for 2012/13	97.8%

Performance is cumulative during the year and expressed against the complete year's debit. Performance to the end of June is 0.17% behind of the target set for this year and the performance at the same time last year:

Month End Target	Month End Actual	Last year Actual
29.53%	29.36%	29.53%

### 8.4 **NNDR-Business Rates (£68.8m)**

The % of business rates for 2012/13 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 2011/12	98.3%
Year End Target for 2012/13	98.3%

Performance at the end of June is 0.32% inside the month end target and the collection at the same time last year.

Month End Target	Month End Actual	Last year Actual
33.28%	33.60%	33.28%

#### 8.5 **Sales Ledger (£32.7m)**

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 are as follows:

Age of debt	Annual Target %	June 2012	
		£m	%
Total	5.50	3.226	9.39%

Performance for sales ledger outstanding debt is currently outside target. The majority of the debt relates to invoices under 6 months old, and over 12 months old. The service area has actively pursued higher debts during June and will continue to do so for the forthcoming months until the debt is reduced.

#### 9.0 **BACKGROUND PAPERS**

2012/13 Budget Strategy / Financial Ledger reports

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