TELFORD & WREKIN COUNCIL

CABINET – 12 DECEMBER 2013
COUNCIL – 23 JANUARY 2013

2013/14 FINANCIAL MONITORING REPORT

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

LEAD CABINET MEMBER: CLLR BILL McCLEMENTS

PART A) – SUMMARY REPORT

1.0 SUMMARY OF KEY ISSUES

1.1 2013/14 Revenue

Strong financial management continues and the overall revenue position has improved by £0.92m since the last report presented in October. Revenue spending for the year is projecting to be underspent by £0.67m at year end; there is also a balance of £2.73m remaining in contingencies which is a prudent safeguard against any unforeseen pressures which may arise during the latter part of the year. In year savings of £2.5m have also been identified, as part of the proactive budgeting approach taken, and have contributed to the overall positive position and which, if maintained for the remainder of the year, will put us in as good a position as possible for the continued pressures we will face next year with further unprecedented levels of cuts to our grants from Government.

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

- Care & Support Services are projecting an overspend of £2.6m relating to the cost of care packages and an overspend of £0.33m on staffing related to in house services (previously included in the cost of care packages variation). There are also pressures relating to Supporting People which is £0.5m over budget and the care leavers budget which is also projected to be £0.4m overspent at year end. Combined the overall overspend is currently projected at £3.8m.
- The cost of Children in Care Placements continues to be a significant pressure with an overspend of £1.9m being reported, which is in line with the last report;
- A shortfall of approximately £0.3m in relation to Lifelong Learning lost grant income;
- A cost of £0.2m related to the use of an increased number of Rapid Response Highways gangs at the beginning of the financial year

- An overspend of £0.4m relating to corporate software maintenance costs
- An income shortfall of £0.3m relating to cleaning and facilities management services
- A benefit of £0.5m arising from general waste and recycling savings
- A benefit of £0.3m arising from recovery of benefit overpayments;
- A benefit of £1.1m arising from active treasury management work;
- A refund from Government of £0.731m in relation to previously top-sliced revenue support grant;

1.2 Capital

The capital programme totals £100.4m which includes slippage from 2012/13 and approvals to date. Spend at the time of compiling this report was around 29%.

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 expected in 2013/14 is £5.5m. A contingency plan is being developed should some of the receipts expected in the medium term not be forthcoming rather than simply be subject to re-phasing and any revenue impact will be taken into account in future treasury management projections.

1.3 Corporate Income Collection

The collection level for NNDR is ahead of target; council tax and Sales Ledger outstanding debt are behind the targets set for the year.

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

(ii) Note the position in relation to capital spend and receipts and that Cabinet 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

<table>
<tr><td rowspan="4">COMMUNITY IMPACT</td><td colspan="2">Do these proposals contribute to specific Co-operative Council priorities?</td></tr>
<tr><td>Yes</td><td>Delivery of all priorities depend on the effective use of available resources. Regular financial monitoring helps to highlight variations from plan so that action can be taken to effectively manage the Council’s budget.</td></tr>
<tr><td colspan="2">Will the proposals impact on specific groups of people?</td></tr>
<tr><td>No</td><td></td></tr>
<tr><td>TARGET COMPLETION/DELIVERY DATE</td><td colspan="2">To outturn within, or as close as possible to, budget at 31/3/14</td></tr>
<tr><td>FINANCIAL/VALUE FOR MONEY IMPACT</td><td>Yes</td><td>The financial impacts are detailed throughout the report.</td></tr>
<tr><td>LEGAL ISSUES</td><td>No</td><td>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.</td></tr>
<tr><td>OTHER IMPACTS, RISKS & OPPORTUNITIES</td><td>No</td><td></td></tr>
<tr><td>IMPACT ON SPECIFIC WARDS</td><td>No</td><td></td></tr>
</table>

PART B) – ADDITIONAL INFORMATION

4.0 2013/14 REVENUE BUDGET

4.1 Financial monitoring 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 monitoring is undertaken on budgets deemed to be lower risk.

4.2 The main changes to the variances since the last report are shown below:

Variations - £m	**17/10/13 Cabinet Report**	**Change**	**Current Projected Variation**
Education & Corporate Parenting – rationalisation of funding sources including DSG	0.000	-0.147	-0.147
Family & Cohesion Services – underspends projected in various budgets	+0.185	-0.324	-0.139
Care & Support – reduced overspend relating to cost of care packages	+3.061	-0.464	+2.597
Care & Support – staffing costs relating to in-house support services previously included in purchasing figure above	0.000	+0.331	+0.331
Care & Support – reduced overspend relating to care leavers	+0.598	-0.165	+0.433
Neighbourhood & Leisure Services – net shortfall of income at Leisure Centres	0.000	+0.150	+0.150
Neighbourhood & Leisure Services – overspend against Highways Rapid Response service	0.000	+0.212	+0.212
Neighbourhood & Leisure Services – savings arising from general and recycling waste	0.000	-0.511	-0.511
Development. Business & Employment – net impact of void PIP properties	0.000	+0.124	+0.124
Development. Business & Employment – one off overachievement of Planning Application income	0.000	-0.182	-0.182
Housing Benefit Subsidy – change in projected recovery of overpayments	-0.402	+0.107	-0.295
Cost of pay award	+0.655	+0.012	+0.667
Other Variances	-3.852	-0.063	-3.915
Total Projected Variation	**+0.245**	**-0.920**	**-0.675**
Call on Contingency(-), contribution to(+)	-0.245	+0.920	+0.675
Final Projected Variation	0.000	0.000	0.000

4.3 Variations of more than £0.100m are detailed in section 4.4 for each Service Area. The overall 2013/14 budget position is summarised in the table below:

Service Area	Previous Variations - Cabinet 17/10/13 £	Total Current Variation £	Change £
Children's Safeguarding	1,000,691	873,995	(126,696)
Education & Corporate Parenting	(74,049)	(144,694)	(70,645)
Family & Cohesion Services	184,960	(138,636)	(323,596)
Development, Business & Employment	301,686	292,900	(8,786)
Neighbourhood & Leisure Services	193,900	144,900	(49,000)
Care & Support	4,187,000	3,849,477	(337,523)
Public Health	(317,942)	(371,282)	(53,340)
Customer & People Services	215,678	101,478	(114,200)
Law, Democracy & Public Protection	67,561	25,998	(41,563)
Finance, Audit & Information Governance	(1,270,461)	(1,297,468)	(27,007)
Cooperative Council Delivery Unit	(93,550)	(73,403)	20,147
Council Wide	(4,150,238)	(3,937,799)	212,439
Total Projected Variation	**245,236**	**(674,534)**	**(919,770)**
Call on Corporate Contingency	(245,236)	674,534	919,770
Projected Year End Position	**0**	**0**	**0**

This overall position includes meeting the cost of the 2013/14 pay award and net benefits totalling £1.4m arising from the early delivery of savings. There is a further £0.28m benefit anticipated through actively supporting growth in council tax funding in line with the Council's growth policy.

4.4 Projected variances over £0.100m and information relating to savings delivered early are highlighted below.

Service Area	Variance £m
<u>Children's Safeguarding</u>	
Children in Care (CiC)– currently projecting £1.9m overspend; this reflects 315 CiC at the 10th October (321 at 31 March 2013). The cost improvement plan is well established with the aim of bringing spend back in line with the budget. The Service continues to closely monitor and review all placements, including unit costs and total costs, in line with their Action Plan and Placement Strategy.	+1.946
Contingency – set aside to meet CiC pressures; will be required in full based on current projections.	-0.930
Parenting Assessments – These are specialist assessments of parents' abilities to meet the needs of their children and are sometimes court ordered. The service is currently exploring more cost effective methods of	+0.178

undertaking this work. **Staffing** – reduced use of agency staff is projecting a saving **Early Delivery of savings** – net savings the Service Area is projecting to deliver by year end	 -0.305 -0.279
<u>Education & Corporate Parenting</u> Dedicated Schools grant – a review of this central funding has resulted in a general fund saving **Early Delivery of savings** – net savings the Service Area is projecting to deliver by year end	 -0.147 -0.073
<u>Family & Cohesion Services</u> **Transport** – the review of transport is not finalised and savings taken out of the budget are not likely to be fully realised in 2013/14. **Cohesion** - review and reduction of expenditure forecasts has resulted in savings being identified **Early Intervention** – review and reduction of expenditure forecasts has resulted in savings being identified **Early Delivery of savings** – net savings the Service Area is projecting to deliver by year end	 +0.177 -0.175 -0.168 -0.100
<u>Care & Support</u> **Purchasing budgets –** the projected overspend relates to 2013/14 savings taken out of budgets which have not yet been delivered, increased costs relating to the purchase of externally purchased care and overspends relating to care provided in Council ALD residential and community provision. One-off funds from the CCG are being used in 2013/14 to help offset an element of the significant ongoing additional cost pressures relating to Continuing Health Care clients consistently reported throughout last year.). The introduction of the Panel process to review all care packages is resulting in a reduction in costs in some cases, however, the net impact to date of all cases going through the process is an increase of £0.240m for the year. Recent analysis indicates that there continues to be an underlying growth in number of clients resulting in increased costs. This position includes savings from the financial improvement plan.	 +2.598

In House Services – this overspend was previously reported as part of Purchasing budgets above. It relates to salaries, including overtime paid to staff , delivering in house support services as part of care for ALD clients **Care Leavers** – overspend relating to the cost of supporting 16-18 year olds as they leave care. A review of the service will be completed soon which is hoped will result in cost reductions. **Supporting People** – delay in achievement of saving combined with an increase in demand for the service. **Transport** – projected overspend from transporting clients. **Early Delivery of savings** – net savings the Service Area is projecting to deliver by year end	+0.331 +0.433 +0.514 +0.164 -0.215
<u>Public Health</u> **Staffing and operational budgets–** projected savings arising from vacancies **Drugs & Alcohol Services** – general underspends **Early Delivery of savings** – net savings the Service Area is projecting to deliver by year end	 -0.367 -0.103 -0.132
<u>Neighbourhood & Leisure Services</u> **Leisure Centres –** net shortfall on income and some additional equipment leasing charges **Highways Rapid Response –** relates to the operation of increased number of highways gangs at the beginning of the financial year **Waste Services –** savings arising from general and recycling waste	 +0.150 +0.212 -0.511
<u>Development, Business & Employment</u> **Lifelong Learning –** largely as a result of loss of government grant funding **Estates & Investments –** loss in Property Investment Portfolio investment income arising from the longer-term rationalisation of the property portfolio to secure a more sustainable income position ongoing.	 +0.304 +0.183

Void Properties – net impact of void PIP properties. These continue to be actively marketed and the monitoring of voids will continue to be fed into the overall investment portfolio rationalisation above	+0.124
Southwater – 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. However the programme for capital spend has also slipped which will reduce borrowing costs in 2013/14; the benefit of this is included in the Treasury Management underspend shown below.	+0.162
Development Planning – net of one off over achievement of Planning application in relation to BSF and other schemes	-0.182
Development Management – There is a net one off, in year benefit due to delays in appointment to vacant posts and the impact of internal secondments.	-0.200
Early Delivery of savings – net savings the Service Area is projecting to deliver by year end	-0.165
<u>Customer & People Services</u>	
People Services – Underspend relating to vacancies being held pending restructure	-0.100
The service area is undertaking a review of claimants receiving single persons discount which is projected to increase income from council tax. The impact of this is not included in the Service Area position as the actual benefit will accrue in the Collection Fund which is the statutory fund required to account for council tax and part of any additional income generated will benefit the Fire and Police Authorities.	
<u>Finance, Audit & Information Governance</u>	
<u>Treasury Management</u> 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 reflecting slippage on capital spend and capital receipts during 2012/13 and 2013/14.	-1.100
Early Delivery of savings – net savings the Service Area is projecting to deliver by year end	-0.076

Law, Democracy & Public Protection **Licensing** – shortfall in licensing income **Land Charges** – additional income relating to land charges **Early Delivery of savings** – net savings the Service Area is projecting to deliver by year end	 +0.167 -0.120 -0.053
Co-operative Council Delivery Unit There are currently no variances over £0.1m to report. **Early Delivery of savings** – net savings the Service Area is projecting to deliver by year end	 -0.049
Employee Car Parking The Council has made significant in-year budget savings whilst work is ongoing on the equal pay project (which will include a review of terms and conditions) this will not be completed within this financial year. Employee savings over the past 4 years have totalled £18.4m and a further £1.2m is being delivered in 2013/14, giving an overall reduction of £19.6m. At the same time we have continued to work both with the Town Centre and also the owners of another central car park in order to find a car parking solution which minimises individual costs. These negotiations are still in progress and are unlikely to be finally resolved before the end of the year. Implementation of employee car parking charges will not therefore occur during this financial year.	+0.104
Government Funding Refund –refund in relation to previously top-sliced Revenue Support Grant.	-0.731
Housing & Council Tax Benefit Subsidy Projected benefit from recovery of overpayments.	-0.295
Purchase Rebates Surplus dividend from West Mercia Energy relating to 2012/13 outturn performance.	-0.148
Other One off Resources – identified to contribute to service overspends.	-2.868

CONTINGENCIES

5.1 The 2013/14 budget includes a prudent contingency of £2.5m, which is set aside to meet any unforeseen expenditure plus an amount held centrally for contractual inflation totalling £1.67m which forms part of the approved revenue budget but which can not be allocated to specific budgets until the relevant inflation indices are available; and a specific amount of £1.3m earmarked for Safeguarding (children and adults). 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.

	£
General Revenue Contingency	2,500,000
Inflation Contingency	1,670,000
Safeguarding Contingency	1,300,000
Total Contingency	**5,470,000**
Commitments:	
Current Estimate of contractual inflation (based on 2012/13)	1,322,000
Safeguarding contingency applied to service overspend	1,300,000
Spend previously approved by Cabinet	116,500
Total Use of Contingency	**2,738,500**
Balance remaining in Contingencies	**2,731,500**

6.0 CAPITAL

6.1 **2013/14 Capital Programme**

The capital programme totals £100.4m which incorporates slippage and new approvals.

The financial position is shown in the table below which shows spend at 28.7% of the budget allocation. Projected spend is currently shown at £98.6m (reflecting previous requests to slip spend in to later years) and work is continuing to robustly challenge estimates and to confirm whether any further slippage is likely to occur which will be brought forward in future reports.

Priority	Budget £m	Spend To Date £m	% Spent	Projection
Protect and Support our Vulnerable Children & Adults	3.895	0.719	18.5	3.066
Improve the Health & Wellbeing of our Communities	2.234	0.281	12.6	2.142
Protect and Create Jobs as a Business Supporting, Business Winning Council	18.426	6.082	33.0	18.425
Improve Local People's Prospects through Education & Skills	47.698	14.825	31.1	47.924
Regenerate Neighbourhoods in Need	9.111	1.718	18.9	8.396
Managing the Organisation	3.375	0.632	18.8	3.083
Ensure that Neighbourhoods are Safe and Clean	15.637	4.558	29.2	15.592
Total	**100.376**	**28.815**	**28.7**	**98.628**

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

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 expected in 2013/14 is £5.5m. Over the medium term, work is ongoing to develop a contingency plan should some of the receipts not be forthcoming rather than simply be subject to re-phasing and any impact will be taken into account in future treasury management projections.

7.0 CORPORATE INCOME MONITORING

7.1 **CORPORATE INCOME MONITORING**
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 shows collection levels for NNDR are ahead of target while Council Tax collection and sales ledger debt is outside the target set.

INCOME COLLECTION – October 2013				
	Actual	**Target**	**Performance**	**Change in cash collected on last year**
Collection Levels:				
Council Tax Collection	65.76%	66.54%	0.78% behind target	+ £2,692,175
NNDR Collection	69.32%	69.12%	0.20% ahead of target	+ £1,263,423
Sales Ledger Outstanding Debt	7.37%	5.50%	1.87% behind target	+ £1,811,595

7.3 **Council Tax (£66.4m)**

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
66.54%	65.76%	66.84%

Collection is behind target by 0.78% and performance on this time last year by 1.08%. The collection performance is a direct result of the abolition of council tax benefit and the introduction of council tax support. Collection performance is showing a downward trend each month, although this can fluctuate on a month by month basis. Work continues to pro actively contact taxpayers in receipt of benefit to try and agree a payment arrangement.

7.4 **NNDR-Business Rates (£70.1m)**

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%

Month End Target	Month End Actual	Last year Actual
69.12%	69.32%	69.12%

NDR collection for October is 0.2% ahead of target and performance this time last year, although the good performance is largely due to some internal payments rather than a widespread increase in collection. It is estimated that collection would be 0.3% behind target had these internal payments not been made. Collection is currently being targeted by contacting those in receipt of a recovery notice with a high cash value.

Business Rates yield is also regularly monitored and the following trends are evident since the budget was set:

- There is an overall net reduction of £0.3m in the total rateable value listed on the rating list, with increases being more than offset by deletions, mergers and reductions in rateable value. Future business growth will feed into this overall position and we should begin to see a positive impact as part of the growth agenda.
- There has been an increase in reliefs granted, the majority relating to charitable and empty premises reliefs. The amount of mandatory charitable relief has increased beyond the prediction and analysis has shown that this is mainly as a result of the increase in the number of academy schools. The criteria for assessing mandatory charitable relief is set by Government only the 20% discretionary element is left for the council to decide upon.
- Appeals could be a significant cost to the Council however due to lack of information(from the Governments Valuation Office), are currently very difficult to predict. Work is in progress to gather as much information as possible in relation to appeals and officers have been liaising with the Valuation Office as part of this process.

7.5 **Sales Ledger (£34.1m)**

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 2013/14 are as follows:

Age of debt	Annual Target %	October 2013	
		£m	%
Total	5.50	2.513	7.37%

Performance for sales ledger outstanding debt is outside target, but has been stable for the last few months.

8.0 PREVIOUS MINUTES

07/03/2013 – Full Council, Service & Financial Planning Strategy
25/07/2013 – Cabinet, Financial Monitoring Report
12/09/2013 – Full Council, Financial Monitoring
31/10/2013 – Cabinet, Financial Monitoring Report
21/11/2013 – Full Council, Financial Monitoring

9.0 BACKGROUND PAPERS

2013/14 Budget Strategy / Financial Ledger reports

Report Prepared by:
Ken Clarke, Assistant Director: Finance, Audit & Information Governance (Chief Financial Officer) – 01952 383100;
Pauline Harris, Corporate Finance Manager – 01952 383701