TELFORD & WREKIN COUNCIL

CABINET – 20 FEBRUARY 2014

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

In the face of the most severe cuts in the funding that the Council receives from Government that this Council has ever faced, strong and proactive financial management is more important than ever. The Council took early action to prepare for the further funding cuts that we face next year and which are detailed in the service and financial planning report also on this agenda. This action included identifying further in-year savings proposals of £2.5m to help offset the pressures on front-line services for our most vulnerable residents. This early and effective action means that we expect to be £0.8m under-budget at year end. This underspend, together with the unused part of the Council's budget contingency will be used to supplement the Invest to Save and Severance funds at year end in order to support the delivery of the further savings that we must find in the coming year. This is the last monitoring report that Cabinet will receive prior to the final outturn position being reported in June. Every effort will be made to sustain the position which 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:

- A benefit of £1.1m arising from active treasury management work over and above the £4.9m that will be generated from the back-dating of the change in accounting treatment of calculation of Minimum Revenue Provision which is explained in the Service & Financial Planning report also on this agenda. This variation is not being reported through the Financial Monitoring process because the one-off benefit created in 2013/14 will immediately be transferred to a provision to fund the debt charges for the Pride in Your Community Initiative for the next 12 years so there will be no resultant net impact on the Council's budget in the current financial year.

- Care & Support Services are projecting an overspend of £2.6m relating to the cost of care packages and an overspend of £0.38m on staffing related to in house services. CCG contributions towards the costs of continuing health care are expected to be £0.5m lower than previously anticipated. 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 £0.3m overspent at year end. Combined, and including other smaller variations, the overall overspend is currently projected at £4.4m
- The cost of Children in Care Placements continues to be a significant pressure with an overspend of £2.1m being reported, which is slightly higher than previously reported
- 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 £0.2m relating to leisure services
- Transport costs in Family & Cohesion and Care & Support show a combined overspend of £0.3m
- A benefit of £0.4m arising from general waste and recycling savings
- A benefit of £0.3m arising from recovery of benefit overpayments
- A refund from Government of £0.731m in relation to previously top-sliced revenue support grant
- Additional dividend income from the Council's investment in the West Mercia Energy consortium of £0.1m

1.2 <u>Capital</u>

The capital programme totals £99m which includes slippage from 2012/13 and approvals to date (including those presented in the Service & Financial Planning Report on this same agenda). Spend at the time of compiling this report was around 43%.

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 £5.4m. 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 <u>Corporate Income Collection</u>

The collection levels for NNDR, 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 and approve the proposed use of the contingency detailed in section 5.1

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

(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 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, or as close as possible to, budget at 31/3/14	
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 take action if overspends /shortfalls emerge.
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	
IMPACT ON SPECIFIC WARDS	No	

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	**12/12/13 Cabinet Report**	**Change**	**Current Projected Variation**
Safeguarding – children in care placements increased variation mainly due to extended placements.	+1.947	+0.107	+2.054
Safeguarding – reduced underspend relating to staffing costs	-0.305	+0.138	-0.167
Care & Support – lower than budgeted CCG contributions towards Continuing Health Care	0.000	+0.500	+0.500
Care & Support – reduced overspend relating to care leavers	+0.433	-0.104	+0.329
Public Health – under spend relating to vacant posts	-0.367	-0.101	-0.468
Neighbourhood & Leisure Services – net shortfall of income at Leisure Centres	+0.150	+0.100	+0.250
Neighbourhood & Leisure Services – benefit from one off capitalisation	0.000	-0.200	-0.200
Development. Business & Employment – MOD Donnington Feasibility costs. Note, it is proposed that this is funded from the corporate contingency.	0.000	+0.350	+0.350
Development. Business & Employment – one off funding including capitalisation	0.000	-0.108	-0.108
Customer & People Services – ICT - additional income generated from project work being used to offset additional costs	0.000	-0.231	-0.231
Customer & People Services – Revenues & Benefits – shortfall against printing income target	0.000	+0.120	+0.120
Other Variances	-2.533	-0.692	-3.225
Total Projected Variation	**-0.675**	**-0.121**	**-0.796**
Call on Contingency(-), contribution to(+)	+0.675	+0.121	+0.796
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 12/12/13 Cabinet £	Total Current Variation £	Change since last report to Cabinet £
Children's Safeguarding	1,110,328	948,492	(161,836)
Education & Corporate Parenting	(91,342)	(215,427)	(124,085)
Family & Cohesion Services	(140,318)	(138,205)	2,113
Development, Business & Employment	386,570	200,000	(186,570)
Neighbourhood & Leisure Services	(21,900)	(21,900)	0
Care & Support	3,955,657	4,434,680	479,023
Public Health	(239,302)	(643,238)	(403,936)
Customer & People Services	(248,389)	(216,654)	31,735
Law, Democracy & Public Protection	149,164	156,164	7,000
Finance, Audit & Information Governance	(1,257,558)	(1,290,901)	(33,343)
Cooperative Council Delivery Unit	(44,943)	(91,149)	(46,206)
Council Wide	(4,232,501)	(3,917,395)	315,106
Total Projected Variation	**(674,534)**	**(795,533)**	**(120,999)**

In addition to the £0.796m underspend shown in the above table, there is an uncommitted balance of £2.4m currently projected in the corporate contingency, detailed in section 5 of this report.

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

Service Area	Variance £m
Children's Safeguarding	
Children in Care (CiC) – currently projecting £2.1m overspend; this reflects 304 CiC at the 16 January (321 at 31 March 2013). 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.	+2.054
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 undertaking this work.	+0.129
Staffing – reduced use of agency staff is projecting a saving	-0.167

<u>Education & Corporate Parenting</u> There are no variances over £0.1m to report.	
<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.	+0.143
Cohesion - review and reduction of expenditure forecasts has resulted in savings being identified	-0.193
Early Intervention – review and reduction of expenditure forecasts has resulted in savings being identified	-0.136
<u>Care & Support</u>	
Purchasing budgets – the projected overspend relates to increased caseload and the impact of the CCG policy on continuing health care cases, 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.	+2.653
CCG contribution towards Continuing Health Care costs – lower than anticipated funding	+0.500
In House Services – this overspend relates to salaries, including overtime paid to staff , delivering in house support services as part of care for ALD clients	+0.381
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.	+0.329
Supporting People – delay in achievement of saving combined with an increase in demand for the service.	+0.511
Transport – projected overspend from transporting clients.	+0.144
<u>Public Health</u>	
Staffing and operational budgets– projected savings arising from vacancies.	-0.468

<u>Neighbourhood & Leisure Services</u>	
Leisure Centres – net shortfall on income and some additional equipment leasing charges	+0.250
Highways Rapid Response – relates to the operation of increased number of highways gangs at the beginning of the financial year	+0.212
Service Wide – benefit from one off capitalisation across the service	-0.200
Waste Services – savings arising from general and recycling waste	-0.436
<u>Development, Business & Employment</u>	
Lifelong Learning – largely as a result of loss of government grant funding	+0.304
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.	+0.198
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.	-0.223
Property & Design – use of one off funding	-0.108
Estates & Investments – feasibility costs relating to MOD Donnington; see separate report on the Cabinet agenda	+0.350

Estates & Investments – proposed funding from the budget contingency for feasibility costs	-0.350
<u>Customer & People Services</u> **People Services –** Underspend relating to vacancies being held pending restructure **ICT** – additional project income being used to offset additional staffing costs for projects and PC replacement programme **Revenues & Benefits** – printing service income shortfall due to work being given to external providers.	 -0.100 -0.230 +0.120
<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. The £4.9m that will be generated from the back-dating of the change in accounting treatment of calculation of Minimum Revenue Provision which is explained in the Service & Financial Planning report also on this agenda. This variation is not being reported through the Financial Monitoring process because the one-off benefit created in 2013/14 will immediately be transferred to a provision to fund the debt charges for the Pride in Your Community Initiative for the next 12 years so there will be no resultant net impact on the Council's budget in the current financial year.	 -1.086
<u>Law, Democracy & Public Protection</u> **Licensing** – shortfall in licensing income **Land Charges** – additional income relating to land charges **Car Parking** – as previously reported	 +0.167 -0.120 +0.111
<u>Co-operative Council Delivery Unit</u> **Delivery & Planning** – employee savings arising from reduced hours and vacant posts	 -0.120
<u>Government Funding Refund</u> –refund in relation to previously top-sliced Revenue Support Grant.	-0.731

Housing & Council Tax Benefit Subsidy Projected benefit from recovery of overpayments.	-0.304
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.	-2.368
Savings delivered in year – net of pay award	-0.391

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 is only allocated to specific budgets when 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. The current position relating to contingencies is shown below:

	£
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
Proposed use for MOD Donnington Feasibility Study	350,000
Total Use of Contingency	**3,088,500**
Balance remaining in Contingencies	**2,381,500**

6.0 CAPITAL

6.1 **2013/14 Capital Programme**

The capital programme totals £99m updated to incorporate slippage and new approvals (including those presented in the Service & Financial Planning Capital Programme report).

The financial position is shown in the table below which shows spend at 43% of the budget allocation. Projected spend is currently shown at £98m (reflecting previous requests to slip spend in to later years).

Priority	Budget £m	Spend To Date £m	% Spent	Projection
Protect and Support our Vulnerable Children & Adults	3.745	1.135	30.3	3.061
Improve the Health & Wellbeing of our Communities	2.244	0.489	21.8	2.151
Protect and Create Jobs as a Business Supporting, Business Winning Council	17.926	9.821	54.8	17.926
Improve Local People's Prospects through Education & Skills	47.697	19.679	41.3	48.178
Regenerate Neighbourhoods in Need	7.971	3.079	38.6	7.359
Managing the Organisation	3.904	1.190	30.5	3.951
Ensure that Neighbourhoods are Safe and Clean	15.639	7.470	47.8	15.592
Total	**99.126**	**42.863**	**43.2**	**98.218**

Slippage and new allocations are included in the Service & Financial Planning, Capital Programme report as part of the budget strategy which will be presented to Full Council on 27 February for approval. Any further re-phasing required will be finalised as part of the year end processes and included in the financial outturn report.

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 budgeted and expected to be received in 2013/14 is £5.4m. 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 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, Council Tax collection and sales ledger debt are outside the target set.

INCOME COLLECTION – December 2013				
	Actual	**Target**	**Performance**	**Change in cash collected on last year**
Collection Levels:				
Council Tax Collection	83.59%	85.11%	1.52% behind target	+ £3,223,742
NNDR Collection	86.66%	87.11%	0.45% behind target	+ £995,612
Sales Ledger Outstanding Debt	7.95%	5.50%	2.45% behind target	-£10,021,291 *

*we received some large payments in Nov 2012 which make the previous 12 month cash collection look more healthy than the current 12 month cash collection.

7.3 **Council Tax (£66.4m)**

NB the total amount of council tax collected includes those amounts needed to meet the precept requests from the Police and Fire services as well as Town & Parish Councils in addition to Telford & Wrekin Council's requirements. 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
85.11%	83.59%	85.41%

We have collected £3.2 million more in council tax compared to this point last year (due to the increase in council tax and additional properties etc) , despite all of the challenges that are being faced this year.

Collection is behind target by 1.52% and performance on this time last year by 1.82%. It is difficult to make comparison of collection levels between current year and last year due to the following changes which have all impacted upon collection levels this year:

- Abolition of council tax benefit and the introduction of council tax support which has resulted in 21% of council tax payable by most benefit customers under pension age
- The abolition of certain empty property exemptions
- The abolition of second home discount

- The introduction of the 150% premium for long term empty properties
- The introduction of instalments over 12 months rather than 10

The collection rates for those taxpayers in receipt of CTS is particularly low, and analysis shows that collection for working age CTS customers is 56.43% which is far below that of other CTS recipients. Work continues to collect council tax from this particular client group, although the pro active work which is being undertaken has shown that these taxpayers have very little spare income from which to make payment.

The introduction of CTS in April 2013 has also made it more difficult to assess the likely levels of bad debt. The allowance for bad debt was changed from 1% to 2% (of tax base) to make provision for any increase. This position will be reviewed at year end.

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
87.11%	86.66%	87.11%

NDR collection for December is 0.45% behind target and performance this time last year. Final out turn is expected to be a similar figure. Hand delivery of summons' is currently being trialled to establish whether this type of pro active intervention prompts payment or dialogue.

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.

We are also waiting on final guidance from CLG in relation to the accounting treatment of appeals which adds further uncertainty to the business rates position.

7.5 **Sales Ledger (£33.1m)**

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 %	December 2013	
		£m	%
Total	5.50	2.631	7.95%

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
12/12/2013 – Cabinet, Financial Monitoring Report
23/1/2014 – Full Council, Financial Monitoring Report

9.0 BACKGROUND PAPERS

2013/14 Budget Strategy / Financial Ledger reports

Report Prepared by:
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