

TELFORD & WREKIN COUNCIL**CABINET – 3 JANUARY 2019
COUNCIL – 17 JANUARY 2019****2018/19 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 2018/19 Revenue**

The net projected outturn position for 2018/19 is currently estimated to be within budget. This is after using £0.3m of the centrally held contingency which leaves £5.28m available to meet any unforeseen costs or further pressures over the final quarter of the year, for example additional social care costs or road gritting costs should the weather over the winter months be particularly severe. If the balance of the contingency fund which is held as part of our comprehensive and sound financial management arrangements is not required in year, it will be used to support the delivery of services to the community as part of our overall medium term service and financial planning strategy.

This is a particularly positive position given that £7.6m savings were required to balance the 2018/19 budget. The aim is that senior managers will sustain this position and make further improvements where possible by year end.

Children's Safeguarding & Early Help continues to be a key area of focus and there are a number of strategies underway to reduce costs and deliver savings. A cost improvement plan is in place, as is also the case with Adult Social Care. These are monitored on a regular basis 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 £2.7m relating to Treasury Management activities - the majority of which relates to benefits from low interest rates for short term borrowing. Some long term borrowing has been taken in 2018/19 to reduce interest rate exposure and the position is regularly monitored by senior finance staff with advice taken from the Council's external treasury management advisors.

- A benefit of £0.6m relating to the Property Investment Portfolio and delivery of benefits ahead of schedule from the Council's £50m Growth Fund Investments.
- Children's Safeguarding & Early Help is a key pressure area with additional investment of £2.7m required which is mainly due to the cost of placements for Looked after Children. This position is after applying £0.5m one off balances, set aside at last year end to support the delivery of the cost improvement plan. A cost improvement plan is in place which is designed to deliver efficiencies over the remainder of the year and medium term.
- Education & Corporate Parenting – overall the service is currently projecting an overspend of £0.5m. This is a combination of the cost of providing school transport and an increase in the number of children with high needs.

The funding outlook for the medium term is still uncertain. The 2019/20 Service & Financial Planning Strategy is a separate report on the Cabinet agenda and provides more detail on the medium term position.

1.2 **Capital**

The capital programme totals £71.8m 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 and re-phasing identified which will go forward to Full Council for formal approval.

1.3 **Corporate Income Collection**

Income collection is currently slightly behind targets set.

2.0 **RECOMMENDATIONS**

2.1 Cabinet Members are asked to:-

- (i) Note that 2018/19 revenue spending is currently projected to be within budget and continue to work with SMT to sustain this position; and approve the use of £0.04m from the contingency detailed in Section 5.
- (ii) Note the position in relation to capital spend and Cabinet are asked to recommend that Council approve the new allocations and re-phasing detailed in Appendix 3;
- (iii) Note the collection rates for NNDR, council tax and sales ledger.

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 2018/19 at 31/3/19.	
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	Budget holders actively manage their budgets and the many financial risks and challenges that council services face, examples include the risk of a particularly harsh winter which would impact adversely on the winter gritting and adult social care budgets, the increasing dependency on income from a wide range of activities and the risk of interest rate movements. The Council has comprehensive risk management arrangements in place and an appropriate level of contingency within its revenue budget as detailed in this report.
IMPACT ON SPECIFIC WARDS	No	

PART B) – ADDITIONAL INFORMATION

4.0 2018/19 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/more volatile); less frequent financial monitoring is undertaken on budgets deemed to be medium to lower risk.

4.2 The overall 2018/19 budget position is summarised in the table below:

Service Area	Net Revenue Budget	Variation Cabinet 15 Nov 2018	Movement	Current Variation	Variation as a % of Net Revenue Budget
	£'000	£'000	£'000	£'000	%
Business, Development & Employment	(860)	0	0	0	0.0%
Finance & HR	9,645	(2,392)	(551)	(2,943)	-30.5%
Cooperative Council Team	1,181	(6)	0	(6)	-0.5%
Children's Safeguarding & Early Help	28,722	2,884	(142)	2,742	9.5%
Education & Corporate Parenting	11,943	352	109	461	3.9%
Adult Social Care	42,425	62	0	62	0.1%
Governance, Procurement & Commissioning	2,884	(140)	0	(140)	-4.9%
Health & Wellbeing	2,635	289	0	289	11.0%
Customer & Neighbourhood Services	30,875	(472)	54	(418)	-1.4%
Commercial Services*	2,354	220	0	220	9.3%
Council Wide	(10,737)	0	0	0	0.0%
Total	121,067	797	(530)	267	0.2%
Use of Contingency			530	(267)	
Overall Total	121,067	797	0	0	

* this Service Area includes a wide range of services including non-commercial services such as homelessness, housing and ICT

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>	
Property Investment Portfolio – early delivery of Growth Fund investments.	-0.617
Contribution to Reserve – to support future investment proposals – approved at Cabinet on 15 November 2018.	+0.724
<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; we have started to take some longer term borrowing in 2018/19 to manage the risk of interest rate exposure.	-2.750
<u>Cooperative Council Team</u>	
There are no variations over £100k to report at present.	
<u>Children’s Safeguarding & Early Help</u>	
Assessments – the creation of in-house assessment capacity has reduced the costs of assessments.	-0.166
Children in Care Placements – projected spend is higher than budget as although the number of new placements has stabilised there have been an increasing number of more expensive specialist placements required for looked after children with complex emotional and behavioural needs over the course of the year which outweighs the number of targeted step downs achieved.	+2.186
Partner Contributions - a Joint Working Protocol is in the process of being developed to reflect the changing needs of vulnerable children and young people in Telford and Wrekin which will provide clear guidance as to how, in cases which require complex coordination, professionals from Social Care, Education and Health will work together and will assist in determining contribution splits ensuring that there is equity in terms of financial contribution from partners including the	

CCG.	
Leaving Care – the overspend relates to a small number of care leavers with high levels of needs.	+0.629
Contribution from Reserves – set aside at 2017/18 year end to support delivery of the Cost Improvement Plan.	-0.500
Independent Review – Staffing cost exceed the available budget.	+0.124
<u>Education & Corporate Parenting</u>	
Specialist Services – increasing numbers of children and young people with high needs has meant that the service has not yet achieved anticipated savings; work is ongoing to increase the amount of traded income and to use grant funding flexibility where possible.	+0.137
School Transport (pre 16) – the overspend relates to a saving target not yet delivered and expenditure has also been impacted by the increase in the numbers of children and young people with high needs. Work is ongoing to reduce costs.	+0.458
Transport (post 16) – there has been a significant increase in the costs of transporting post 16 high needs pupils since September 2018.	+0.211
Corporate Parenting – an increase in Pupil Premium Grant allocated to Telford & Wrekin which has funded an element of the costs resulting in an underspend.	-0.144
<u>Adult Social Care</u>	
Purchasing – the benefits of social care interventions are starting to materialise, however there is a lead time and some cost reductions will take longer to achieve. The result is a residual pressure on the 2018/19 budget.	+1.432
Income – projected client contributions are higher than budgeted.	-0.513
Income – projected contributions from Health due to successful negotiations with the CCG and receiving contributions to fund clients health needs.	-0.150
Government Grant – reflects the recently announced “Winter Funding” of £0.774m.	-0.746

<p><u>Governance, Procurement & Commissioning</u></p> <p>There are no variations over £100k to report at present.</p>	
<p><u>Health & Wellbeing</u></p> <p>My Options – additional operating costs associated with Community Wellbeing and Community Support, Day Services and Homecare Services</p>	+0.111
<p><u>Customer & Neighbourhood Services</u></p> <p>Sweeping – underspend due to the tonnage for sweepings being lower than budgeted.</p> <p>Street Lighting/ Highway Lighting – reduction in electricity costs due to the implementation of the LED efficiency programme across the Borough.</p> <p>Transfer to Reserves – to fund essential play area resurfacing in 2019/20 – approved at Cabinet on 15 November 2018.</p>	-0.132 -0.280 +0.225
<p><u>Commercial Services</u></p> <p>Temporary Accommodation – rental income shortfall in relation to the move from one large refuge to two smaller properties which was necessary in order to meet the needs of the client group.</p> <p>BIT – Architects & Building Fees – net over achievement of fee income from additional DFG income and project work</p>	+0.120 -0.168

5.0 **CONTINGENCIES**

- 5.1 The 2018/19 budget includes a prudent general contingency of £3.8m, 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 £2.1m 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	3.787
Inflation Contingency	2.113
Total Contingencies	5.900
Previously Approved Use:	-0.311
Proposed Use:	
Church Aston Void Stabilisation	-0.040
Commitments:	
Required to meet the current revenue pressures	-0.268
Residual Balance	5.281

The current revenue position is projected to be within budget at year end after using £0.3m of the contingency, which after other commitments leaves £5.3m available to meet any unforeseen costs in the remainder of the year.

6.0 **CAPITAL**

6.1 **2018/19 Capital Programme**

The capital programme totals £71.8m, 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 £70.4m.

Service Area	Current Budget	Spend to Date	% Spend	Year End Projection
	£m	£m		£m
Development Business & Employment	22.76	9.56	41.99%	22.76
Customer & Neighbourhood Services	24.80	10.43	42.05%	24.55
Education & Corporate Parenting	8.99	2.25	25.02%	8.99
Adult Social Care	1.01	0.41	41.05%	1.01
Health & Well-Being	0.06	0.06	100.00%	0.06
Cooperative Council	2.09	0.37	17.74%	2.09
Governance Procurement & Commissioning	0.26	0.09	32.95%	0.26
Finance & Human Resources	2.76	0.35	12.77%	2.10
Commercial Services	9.04	3.85	42.58%	8.53
Total	71.77	27.37	38.14%	70.35

6.2 Some new allocations and re-phasing are identified for approval which are detailed in Appendix 3.

6.3 The 2018/19 capital programme relies on £11m of receipts as part of its funding (after adjusting for known changes). Capital receipts included in the medium term budget strategy are under continual review and any changes will be reflected in future budget projections but are currently projected to be on target.

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, income collection is currently slightly behind target for sales ledger, council tax and NNDR. Cash collection has increased for council tax and sales ledger income streams compared to last year, although NNDR has reduced due to the revaluation.

INCOME COLLECTION – Oct 2018				
	Actual	Target	Performance	Change in cash collected on last year
Council Tax Collection	64.45%	64.80%	0.35% behind target	+£2,521,945
NNDR Collection	66.16%	67.20%	1.04% behind target	-£109,896
Sales Ledger Outstanding Debt	4.81%	4.70%	0.11% behind of target	-£2,616,628

7.3 **Council Tax (£83.7m)**

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 2017/18	97.3%
Year End Target for 2018/19	97.4%

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

Month End Target	Month End Actual	Last year Actual
64.80%	64.45%	64.74%

There is over £4 million more to collect in council tax during 2018/19 compared to 2017/18, and we've now collected over £2.5m more in council tax this year compared to last year. Collection rates for council tax are 0.3% behind target which has followed a similar trend so far this financial year. Neighbouring Councils are experiencing a similar level to a drop in performance.

7.4 NNDR-Business Rates (£76.3m)

The % of business rates for 2018/19 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 2017/18	98.6%
Year End Target for 2018/19	98.7%

Month End Target	Month End Actual	Last year Actual
67.20%	66.16%	67.10%

Business rates is 1.04% behind target, but business rates can tend to fluctuate throughout the year. Close monitoring of this will take place over the next few months to seek to ensure the collection rate does not deteriorate. We have identified a small number of large debts outstanding which indicate that some businesses may be shortly subject to insolvency.

7.5 Sales Ledger (£59.7m)

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 2018/19 are as follows:

Age of debt	Annual Target %	Oct 2018	
		£m	%
Total	4.70	2,870	4.81%

Sales ledger performance is just outside target. Work over the next few months will focus on collecting the highest invoices which are outstanding, paying particular focus to ASC debt.

8.0 PREVIOUS MINUTES

01/03/18 – Council, Service & Financial Planning Strategy
31/05/18 - Cabinet, Service & Financial Planning Report – 2017/18
Outturn and 2018/19 Update
01/07/18 – Cabinet, 2018/19 Financial Management Report
26/07/2018 – Council, 2018/19 Financial Management Report
15/11/2018 – Cabinet – 2018/19 Financial Management Report
22/11/2018 – Council, 2018/19 Financial Management Report

9.0 BACKGROUND PAPERS

2018/19 Budget Strategy / Financial Ledger reports

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