

**TELFORD & WREKIN COUNCIL**

**CABINET – 22 DECEMBER 2011**

**2011/12 FINANCIAL MONITORING REPORT**

**REPORT OF THE HEAD OF FINANCE**

**PART A) – SUMMARY REPORT**

**1.0 SUMMARY OF KEY ISSUES**

**1.1 2011/12 Revenue**

Revenue spending for the year is projecting to be within budget at year end, this is after setting aside £2.145m to support the 2012/13 budget, by creating an additional one off contingency, and uses £1.957m of the remaining corporate contingency. There are a number of significant pressures in the budget for the current year and it is essential that Heads of Service continue to exercise tight control over their budgets.

The main identified pressures are:

- The cost of Adult Social Care purchasing which remains at a projected £0.9m overspend even after offsetting additional NHS grants against the impact of the PCT's withdrawal of funding for some cases of continuing healthcare needs and the use of other one off balances available in 2011/12. Most of the cost of supporting those people then falls on the Council.
- The cost of Children in Care Placements together with the use of agency staff in the Safeguarding Service and associated legal costs – showing a combined variation of £1.51m, although other variations within Safeguarding reduce the net overspend to £1.4m which is an increase of £0.68m since the last report
- The cost of Specialist Education – projected overspend of £0.54m which relates to stated provision
- Income shortfalls – a projected shortfall of £0.57m, relating to PIP rentals, planning fees, building control fees and licensing fees – an improvement of £0.3m compared to the previous report.
- As previously reported, contractual Inflation – inflationary pressures totalling £0.595m have been identified and funded from the corporate contingency

We are clearly aware that the council will have an extremely challenging position for next year and it is essential that very tight control on spend is exercised during 2011/12. Benefits from active treasury management, the insurance renewal process, the New Homes Bonus Grant and £0.580m 2012/13 efficiencies delivered early, total

£2.145m. It is proposed to carry this benefit forward, together with any unused part of the contingency in this year, to 2012/13 to create a one-off contingency for 2012/13. Other benefits reported include restructure/employee savings, transport efficiencies and concessionary travel.

The impact of the 100 Day Budget is included in the overall position shown.

## **1.2 Capital**

The capital programme totals £101m which reflects adjustments for re-phasing, new approvals and the impact of the 100 Day Budget. Spend currently stands at 26% and robust programme management and monitoring is in place to ensure schemes are delivered. A number of new allocations, slippage and virements are detailed in Appendix 3 which are included for approval.

The capital programme funding includes a significant amount of capital receipts anticipated to be delivered over the period 2011/12 to 2014/15. Failure to achieve, or delays to, the receipts will have financial implications for the Council and the position is therefore being closely monitored.

## **1.3 Corporate Income Collection**

Collection levels for Council Tax collection are ahead of target while NNDR collection and Sales Ledger debt are both behind target at the end of October and are being closely monitored.

## **2.0 RECOMMENDATIONS**

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

- (i) Note that 2011/12 revenue spend is currently projecting to be within budget at year end
- (ii) Note the position in relation to capital spend and approve the new allocations, slippage and virements detailed in Appendix 3, which will go to Full Council for formal approval.
- (iii) Note that collection of council tax income is ahead of target while collection of NNDR and Sales Ledger are slightly behind targets set at the end of October.

### 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 31/3/12	
<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	<i>Borough Wide</i>

### 4.0 PREVIOUS MINUTES

03/03/11 – Full Council, Service & Financial Planning Strategy

26/7/11 – Cabinet, 2011/12 Financial Monitoring

20/10/11 – Cabinet, 2011/12 Financial Monitoring

24/11/11– Council, 2011/12 Financial Monitoring

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

### **5.0 2011/12 REVENUE BUDGET**

**5.1** Spend is projected to be within budget at year end which includes use of £1.956m of the remaining corporate contingency. The main changes since the last report are shown below:

<b>Variations - £m</b>	<b>October Cabinet Report</b>	<b>Change</b>	<b>Current Projected Variation</b>
Children in Care Placements Costs	+0.594	+0.495	+1.089
Specialist Education Placements	+0.061	+0.152	+0.213
Dedicated Schools Grant	-0.200	-0.167	-0.367
Treasury Management	-0.445	-0.255	-0.700
Housing & Council Tax Benefit Subsidy	-0.094	+0.110	+0.016
Planning, Building Control & Public Protection fee income	+0.600	-0.230	+0.370
Accelerated Restructure Savings	-0.046	-0.558	-0.604
Accelerated Non Staff Savings	0.000	-0.580	-0.580
Other Variations	+0.231	+0.144	+0.375
<b>Total Projected Variation</b>	<b>+0.701</b>	<b>-0.889</b>	<b>-0.188</b>
Cwfd to 12/13	+1.310	+0.835	+2.145
Call on Contingency	-2.011	+0.054	-1.957
Final Projected Variation	0	0	0

**5.2** Variations of more than £0.100m are detailed in section 5.3 for each Service Delivery Unit. The overall 2011/12 budget position is summarised in the table below :

Service Delivery Unit	Accelerated Non Staff Savings	Accelerated Restructure Savings	Service	Total
	£	£	£	£
Safeguarding	0	0	1,444,758	1,444,758
School Improvement	(90,000)	(200,000)	(43,708)	(333,708)
Family & Community Services	(115,000)	(410,000)	(196,198)	(721,198)
Property & ICT	0	0	250,000	250,000
Economy & Skills	(34,000)	0	65,000	31,000
Environmental Services	(187,000)	(92,530)	(230,000)	(509,530)
Housing & Planning	0	0	379,000	379,000
Care & Support	0	0	941,000	941,000
Customer, Leisure & Libraries	(37,481)	(494,682)	(2,902)	(535,065)
Governance	(39,710)	(36,803)	(98,310)	(174,823)
Finance	(34,000)	(255,101)	(8,553)	(297,654)
Core Services	(42,600)	(414,937)	(130,398)	(587,935)
Council Wide	0	1,300,000	(1,374,088)	(74,088)
<b>Total Projected Variation</b>	<b>(579,791)</b>	<b>(604,053)</b>	<b>995,601</b>	<b>(188,243)</b>

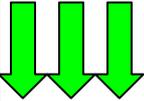
**Projected Year End Position**

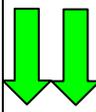
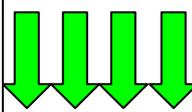
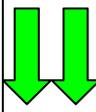
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**5.3** Projected variances over £0.100m are highlighted below.

Key		
£0 to £100k	↑	 Underspend
£101+to £250k	↑↑	 Overspend
£251+to £500k	↑↑↑	
over £500k	↑↑↑↑	
Service Delivery Unit		Projected Variation £m
<b><u>Safeguarding (Adults &amp; Children)</u></b>		
<p><b>Children in Care</b> – based on a total of 294 Children in Care (w.e. 4/11/11). An additional £1.4m was invested in Looked After Children as part of the 2011/12 budget strategy.</p>	<p>+1.089 [increased overspend]</p>	
<p><b>Agency Staff</b> – overspend arising from the use of agency staff employed for various dates continuing up to the end of December to cover vacancies. The use of agency staff will be continually reviewed throughout the year.</p>	<p>+0.254 [reduced overspend]</p>	
<p><b>Support for Children in Need/Legal Costs and Assessments</b> – payments made to promote the welfare of children in need. The actual cost is dependent on the type of cases that arise during the year.</p>	<p>+0.167 [increased overspend]</p>	

<p><b><u>School Improvement</u></b></p> <p><b>School/Premature Retirement/Redundancy Costs</b> – due to the need to reduce costs and mitigate the ongoing financial pressure on schools. Current projections are based on information from HR on likely numbers and will be updated as appropriate to take into account redeployment etc.</p> <p><b>Schools Multicultural Development Service</b> – saving arising from posts being held vacant pending restructure.</p>	<p>+0.217 [increased overspend]</p> <p>-0.145 [reduced benefit]</p>	<p></p> <p></p>
<p><b><u>Family &amp; Community Services</u></b></p> <p><b>Specialist Education</b> – the majority of the overspend relates to stated provision, which reflects the costs of new statements and additional support hours. Costs in this area are volatile due to the constant updating of available information and the projection could reduce as the year progresses.</p> <p>Specialist Education – the increased overspend relates to 6 young people and is a combination of a shortfall in recoupment income as fewer pupils are placed within T&amp;W and the cost of pupils placed outside Telford &amp; Wrekin.</p> <p><b>DSG</b> – underspent DSG from 2010/11 was carried forward to 2011/12 and any unallocated amounts could be used to offset the costs of Specialist Education Service provision.</p> <p>Transport – saving arising from operational efficiencies and demographic changes</p>	<p>+0.328 [no change]</p> <p>+0.213 [increased overspend]</p> <p>-0.367 [increased benefit]</p> <p>-0.120 [increased benefit]</p>	<p></p> <p></p> <p></p> <p></p>
<p><b><u>Property &amp; ICT</u></b></p> <p><b>PIP Properties</b> – shortfall in rental and service charge income due to the higher level of voids.</p>	<p>+0.300 [no change]</p>	<p></p>

<p><b><u>Housing &amp; Planning</u></b></p> <p><b>Planning</b> – shortfall in planning fees due to the downturn in the economy.</p> <p><b>Building Control</b> – shortfall in fee income</p>	<p>+0.115 [reduced overspend]</p> <p>+0.180 [no change]</p>	<p></p> <p></p>
<p><b><u>Economy &amp; Skills</u></b></p> <p><b>Economic Development</b> – loss of grant funding for Education Business Partnership</p> <p>Mitigating action, including increased fees to offset grant reduction</p> <p>Post 16 Transport – shortfall in contributions from colleges and grant</p>	<p>+0.257 [no change]</p> <p>-0.257 [no change]</p> <p>+0.115 [increased overspend]</p>	<p></p> <p></p> <p></p>
<p><b><u>Environmental Services</u></b></p> <p><b>Concessionary Transport</b> – benefit arising from the change in methodology in the scheme administration, subject to review</p>	<p>-0.150 [no change]</p>	<p></p>
<p><b><u>Care &amp; Support</u></b></p> <p><b>Purchasing budgets</b> - the reported overspend is against a gross purchasing budget of £34.3m across all client groups, including residential care, home care, day care and adult placements. The pressure has mainly arisen from the withdrawal of funding by the PCT from clients previously receiving NHS funding due to their ongoing primary health need. These costs are now falling either on the individual or in most cases on Council budgets. This projection is over and above costs impacting and funded ongoing in previous years and reflects the full year impact of clients reassessed by the PCT in 2010/11 and those reassessed in 2011/12. The position is being kept under close review and continues to be raised and discussed with the PCT. The overall position takes into account the use of</p>	<p>+2.941 [increased overspend]</p>	<p></p>

one-off monies available in 2011/12.		
<b>NHS Funding</b> – a mix of additional one off and ongoing funding from the Government and PCT to fund Local Authority Social Care, and having to be deployed against displaced PCT spending.	-2.000 [no change]	
<b>Core Services</b> – staff savings	-0.130 [no change]	
<b><u>Items to be Rolled Forward to 2012/13 to create one off contingency</u></b>		
<b>Treasury</b> – benefits from the re-phasing of schemes from 2010/11 to 2011/12 and the impact of new investments taken early in the year, together with the impact of the 100 day budget and changes to the investment portfolio	-0.700m [increased benefit]	
<b>Insurance</b> – reduced cost of insurance renewals for 2011/12	-0.250m [no change]	
<b>New Homes Bonus</b> - Unringfenced grant	-0.615m [no change]	
<b>Accelerated Non-Staff Savings</b> – 2012/13 savings proposals delivered early in 2011/12.	-0.580 [increased benefit]	
<b><u>Total Rolled Forward to 2012/13</u></b>	2.145m	

- 5.4 The 2011/12 budget includes £1.3m benefit from accelerated staff savings which has been over achieved by £0.6m largely due to holding posts vacant prior to restructures.
- 5.5 It is proposed that the £2.145m identified in the table above is carried forward to 2012/13 to provide an additional one-off contingency as part of the budget strategy.

## 6.0 CONTINGENCIES

- 6.1 The 2011/12 budget includes combined contingencies of £3.768m, which are set aside to meet any unforeseen expenditure.

	<b>£m</b>
General Revenue Contingency	1.596
Income/Contract Inflation Contingency	1.072
Additional One Off Contingency (held in reserves)	1.100
<b>Total Contingency</b>	<b>3.768</b>
<b>Approved Spend:</b>	
Contractual Inflation – approved at Cabinet 26/7/11	0.595
EDL Spend – approved at Cabinet 20/10/11	0.010
<b>Commitments – to be approved:</b>	
Required to offset current projected variations	1.957
<b>Balance remaining in Contingencies</b>	<b>1.206</b>

## 7.0 CAPITAL

### 7.1 2011/12 Capital Programme

The capital programme totals £101m which is after including adjustments for re-phasing, new approvals and the impact of the 100 day budget review. Spend is shown in the table below and currently stands at 26% and robust programme management and monitoring is in place.

Priority	Budget £m	Spend To Date £m	%	Projection £m
Adult Care & Support	0.955	0.212	22.2	0.475
Active Lifestyles	1.047	0.053	5.1	0.458
Community Protection & Cohesion	2.648	0.805	30.4	1.928
Children & Young People	52.095	13.397	25.7	41.631
Housing, Regeneration & Prosperity	29.700	9.628	32.4	29.481
Efficient, Community Focussed Council	3.428	0.762	22.2	3.248
Environment & Rural Area	10.955	1.733	15.8	9.403
<b>Total</b>	<b>100.828</b>	<b>26.590</b>	<b>26.4</b>	<b>86.626</b>

- 7.2 The capital programme funding includes a significant amount of receipts anticipated to be delivered over the period 2011/12 to 2014/15. Failure to achieve, or delays to, the receipts will have financial implications for the Council and the position is being closely monitored.
- 7.3 There are a number of new allocations, slippage and virements detailed in Appendix 3 which are presented for approval.

## 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 for Council Tax ahead of target while NNDR collection and sales ledger outstanding debt are both slightly outside the targets set.

<b>INCOME COLLECTION – October 2011</b>			
	<b>Actual</b>	<b>Target</b>	<b>Performance</b>
<b>Collection Levels:</b>			
Council Tax Collection	67.17%	67.10%	0.07% Ahead of Target
NNDR Collection	69.10%	70.20%	1.10% Outside Target
<b>Sales Ledger Outstanding Debt</b>	6.38%	4.50%	1.88% Outside Target

### 8.3 **Council Tax (£59.3m)**

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 2010/11	98.0%
Year End Target for 2011/12	98.0%

Performance is cumulative during the year and expressed against the complete year's debit. Performance to the end of October is 0.07% ahead the target set for this year and 0.12% ahead of performance at the same time last year:

Month End Target	Month End Actual	Last year Actual
67.10%	67.17%	67.05%

#### 8.4 **NNDR-Business Rates (£65.5m)**

The % of business rates for 2011/12 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 2010/11	99.1%
Year End Target for 2011/12	99.1%

Performance at the end of October is 1.1% behind the month end target and 2.05% behind the collection at the same time last year. Collection rates for NDR do fluctuate during the year and the position will be closely monitored. Collection data is being further analysed to establish whether there are any trends and to determine which businesses are struggling to pay.

Month End Target	Month End Actual	Last year Actual
70.20%	69.10%	71.15%

#### 8.5 **Sales Ledger (£41.4m)**

This includes general debt and Social Care debt. Debt below 2 months is classified as a normal credit period.

The target percent are set relating cumulative debt outstanding from all years to the current annual debit. The current targets and performance of income collection are as follows:

Age of debt	Annual Target %	Oct 2011	
		£m	%
Total	4.50	2.64	6.38

Overall outstanding Sales Ledger debt is outside target by 1.88%.

#### 9.0 **BACKGROUND PAPERS**

2011/12 Budget Strategy / Financial Ledger reports

Report Prepared by: Ken Clarke, Head of Finance – 01952 383100;  
Pauline Harris, Corporate Finance Manager – 01952 383701