TELFORD & WREKIN COUNCIL

CABINET – 24 JULY 2014
COUNCIL – 11 SEPTEMBER 2014

2014/15 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 2014/15 Revenue

The net projected outturn position for 2014/15 is currently showing £0.5m overspend which is mainly a reflection of the continuing pressures in Adult Social Care and Safeguarding as they work towards meeting their savings targets. This is after applying £3.3m currently available in central contingencies pending any further commitments which may arise during the rest of the year. At this early stage in the financial year, projecting a minor net overall overspend is not unduly concerning as there is plenty of time for corrective action to be taken but it is important that all areas spend within budget by year end and where possible accelerate the delivery of savings which will support the Council's future position given the financial pressures which lie ahead. Considerable work is now underway within service areas to address areas of financial pressure and further "in-year" savings targets have been issued to Directors in order to help ensure that the Council is able to achieve a balanced financial position by year end and to address the remaining anticipated budget shortfall for 2015/16.

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

- A benefit of £0.9m arising from active treasury management which includes an early estimate of the benefit in year of reviewing the Council's MRP policy relating to "government supported" debt in the same way as was agreed for all prudential debt as part of the budget strategy for 2014/15;
- Additional dividend income from West Mercia Energy Purchasing Consortium of £0.1m;
- Adult Social Services are projecting an overspend of £6.3m relating to the cost of care packages. One-off balances of £3.3m (£2.5m approved corporately at year end and £0.8m Service Balances) are available to partly offset this. Progress in delivering savings is paramount to meet the shortfall in 2014/15 and to replace the use of one-off funds in future years;

- The cost of Children in Care Placements continues to be a significant pressure with an overspend of £1m being reported. This is being mostly offset by use of the draw down budget included in the 2014/15 base budget;
- The cost of supporting 16-18 year olds as they leave care is projecting an overspend of £0.5m;
- Cost pressures totalling £0.6m relating to the provision of Adults with Learning Disabilities in house services are currently projected – a review of the service is currently in progress which will reduce the overspend once implemented.
- Transport – commissioned by Family & Cohesion Services on behalf of client services; following the review of transport in 2013/14 client budgets were reduced to reflect savings identified. At this stage in the year overspends totalling £0.4m are being reported across client budgets pending delivery of the savings recommended. As savings are achieved the reported pressure should reduce.

1.2 **<u>Capital</u>**

The capital programme totals £133m which includes slippage from 2013/14. Spend at the time of compiling this report was around 5%.

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 has financial implications for the Council. The total value of receipts budgeted in 2014/15 is £40m; current monitoring shows that around £32m of these receipts will not now be received in 2014/15. The revenue impact of these changes is already included in the treasury projections in this report. Capital receipts included in the medium term budget strategy are under continual review and any changes will be reflected in future budget projections. Updates will be provided in future monitoring reports.

1.3 **<u>Corporate Income Collection</u>**

The collection levels for NNDR, council tax and Sales Ledger outstanding debt are all slightly behind the targets set for the year.

2.0 <u>RECOMMENDATIONS</u>

2.1 Members are asked to

(i) **Note that 2014/15 revenue spend is currently projecting to be overspent. Senior Management Team are implementing action plans to ensure savings are delivered so that the budget is brought back into balance by year end**

(ii) **Note the position in relation to capital spend and receipts and that Cabinet recommend that Council approve the new allocations and**

slippage detailed in Appendix 3 and the funding changes to the capital programme detailed in section 6.2

(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 31/3/15	
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 2014/15 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 Variations of more than £0.100m are detailed in section 4.3 for each Service Area. The overall 2014/15 budget position is summarised in the table below:

Service Area	Total Current Variation £
Children's Safeguarding & Specialist Services	1,005,112
Education & Corporate Parenting	257,531
Family & Cohesion & Commissioning Services	(190,000)
Development, Business & Employment	118,000
Neighbourhood & Leisure Services	209,162
Adult Social Services	3,356,982
Public Health, Well Being & Public Protection	(73,037)
Customer Services	365,436
Law, Democracy & People Services	0
Finance, Audit & Information Governance	(1,146,334)
Cooperative Council Delivery Unit	0
Council Wide	(134,000)
Total Projected Variation	**3,768,852**
Use of uncommitted balance in Corporate Contingencies	(3,286,077)
Total Projected Variation after use of contingency	**482,775**

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

Service Area	Variance £m
<u>Children's Safeguarding & Specialist Services</u>	
Children in Care (CiC) – currently projecting £1.029m overspend; this reflects 304 CiC at the 31 May 2014 (309 at 31 March 2014, peak of 323 during last financial year). The financial strategy for 2014/15 includes an additional "draw-down" budget for Safeguarding to help meet the ongoing pressures on the service (see below). All placements are scrutinised and reviewed in line with the Action Plan and Placement Strategy to secure best value.	+1.029
Draw down budget – part of the £1.2m set aside when the budget was set to meet CiC pressures.	-0.914

External Special Educational Needs Provision – cost of external/out of county provision **Care Leavers** – overspend relating to the cost of supporting 16-18 year olds as they leave care. **Foster Carer Transport Costs** – payments to Foster Carers in relation to transport costs. **Staffing** – underspends from vacancies held in the service area which is offset by spend on agency staff. The Service Area has a Cost Improvement Plan for 2014/15 which includes specific elements to reduce the reported overspends described above. Close monitoring by senior officers and members is in place to review progress against the Cost Improvement Plan targets set.	+0.112 +0.480 +0.112 -0.132
<u>Education & Corporate Parenting</u> **Transport** – pressures on school transport following budget reductions in 2014/15.	 +0.110
<u>Family & Cohesion Services</u> **Transport** – transport is commissioned by Family & Cohesion Services and is provided to various client services: Adult Social Services, Education & Corporate Parenting and Neighbourhood & Leisure Services. Following the review of transport in 2013/14, client budgets were reduced to reflect the savings identified. At this stage in the year overspends totalling £0.420m are being reported by Client Services pending delivery of the recommendations in the Transport Review (£0.240m in Adult Social Services; £0.110m in Education & Corporate Parenting; £0.070m in Neighbourhood & Leisure Services). As savings are achieved the reported pressures should reduce.	
<u>Adult Social Services</u> **Purchasing budgets –** an overspend of £6.3m is currently being projected. Included in the total savings target of £7.7m for all Adult Social Care Services (including ALD) is £4.051m targeted at purchasing budgets which have been reduced. Plans to mitigate the overspend are in place: including an additional savings target of £500K as a result of remodelling how vulnerable adults are accommodated and supported, introduction of robust financial and community care processes (1% efficiencies equates to £500k). Capita have	 +6.292

been commissioned to provide a review of the robustness of the recovery plan and the capacity and capability of the current management structures to deliver. A PA register has been commissioned to support the increase in the use of PA's, continued progress is being made on reviews, assistive technology and direct payments, to deliver further savings. We are also reviewing high cost placements with our providers and examining contracts in detail to identify further savings and are also in the process of establishing a framework contract for domiciliary care which should improve quality of provision whilst reducing costs significantly. These savings initiatives total £2.4m and are currently in progress, close monitoring of their delivery will continue to identify any change in the figures expected.	
One off Funds – includes £0.8m Service balances plus £2.5m one off reserve set aside as a specific draw-down budget at year end.	-3.300
Supporting People – delay in achievement of savings.	+0.474
Transport – impact of the budget reductions following the transport review, mentioned above. A number of proposals have been agreed which, when implemented, will reduce the projected overspend, however a full year impact of the savings will not be achieved.	+0.240
<u>Public Health, Wellbeing & Public Protection</u> There are currently no variances over £100k to report.	
<u>Neighbourhood & Leisure Services</u>	
Leisure Centres – shortfall of income at Oakengates Leisure Centre as a result of the closure of the leisure facilities during the construction of the new school.	+0.106
Waste Disposal – cost pressures associated with the disposal of wood and hazardous materials at CRCs; green waste at kerbside along with replacement bin costs.	+0.250
One off Reserves – use of reserve set aside approved in the 2013/14 outturn report to meet additional waste costs pending the full implementation of the new waste contract.	-0.200
<u>Development, Business & Employment</u>	
Regeneration & Investments – loss in Property Investment Portfolio investment income arising from the longer-term rationalisation of the property portfolio to secure a more	+0.200

sustainable income position ongoing and service charge voids.	
Customer Services **ALD** – Carwood residential home – overspend on employees due to additional hours worked **ALD** – Community Support – overspend on employees due to additional hours worked **ALD** – Services & Enablement – shortfall against savings target A review of internal ALD services is currently underway and the first phase of a restructure in this area was launched on 3rd July with the objective of delivering just under £1m savings.	 +0.164 +0.259 +0.182
Finance, Audit & Information Governance Treasury – 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, net of the revenue impact of changes to the anticipated capital receipts; together with £0.8m from an early assessment of the benefit of extending the change in the calculation of Minimum Revenue provision applied to prudential borrowing in 2013/14 to include supported debt (government allocations) – this figure includes a back-dated and an ongoing element and will be refined as further work is undertaken over the next few months.	 -0.931
Law, Democracy & Public Protection Detailed monitoring has not yet been undertaken for this Service Area in accordance with the risk based monitoring approach being adopted	
Co-operative Council Delivery Unit Detailed monitoring has not yet been undertaken for this Service Area in accordance with the risk based monitoring approach being adopted	
Purchase Rebates Surplus dividend from West Mercia Energy relating to 2013/14 outturn performance.	 -0.134

CONTINGENCIES

5.1 The 2014/15 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 £1.487m which forms part of the approved revenue budget but is only allocated to specific budgets when the relevant inflation indices are available; plus specific amounts of £1.2m earmarked for Safeguarding and £2.5m earmarked for Adult Social Services. 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	1,487,210
Safeguarding draw-down budget	1,200,000
Adult Social draw-down budget	2,500,000
Total Contingencies	**7,687,210**
Commitments:	
Current Estimate of contractual inflation	987,210
Safeguarding draw-down budget applied to service overspend	913,923
Adult Social Services draw-down budget applied to service overspend	2,500,000
Total Use of Contingency	**4,401,133**
Balance remaining in Contingencies	**3,286,077**

The balance remaining in the contingencies at year end will benefit the overall bottom line position.

6.0 CAPITAL

6.1 **2014/15 Capital Programme**

The capital programme totals £133m updated to incorporate slippage approved as part of outturn.

The financial position is shown in the table below which shows spend at just over 5% of the budget allocation. Projected spend is currently shown at £119m (reflecting likely requirements to slip spend in to later years).

Priority	Budget £m	Spend To Date £m	% Spent	Projection
Education & Corporate Parenting	79.31	2.98	4	64.33
Dvpt. Business & Employment	20.00	3.30	16	23.57
Neighbourhood & Leisure	30.74	0.38	1	29.18
Adult Social Services	1.26	0.01	1	0.87
Customer Services	0.95	0.08	8	0.98
Cooperative Council Delivery Unit	0.53	0.00	0	0.53
Council Wide	0.12	0.00	0	0.00
Total	**132.91**	**6.75**	**5**	**119.46**

6.2 The 2014/15 capital programme relies on £40m of receipts as part of its funding. Current monitoring shows that around £32m of these receipts are probably not now expected to be received in 2014/15 (the majority being anticipated in 2015/16). It is therefore proposed that the funding of the capital programme is updated to reflect this latest position. This has the impact of additional short-term borrowing being required until the receipts are received which is already reflected in the treasury projections shown in this report. Capital receipts included in the medium term budget strategy are under continual review and any changes will be reflected in future budget projections. Updates will be provided in future monitoring reports.

6.3 New allocations and virements are detailed at Appendix 3 for approval.

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 all debts are slightly outside the target set.

INCOME COLLECTION – May 2014				
	Actual	**Target**	**Performance**	**Change in cash collected on last year**
Collection Levels:				
Council Tax Collection	19.55%	19.59%	0.20% behind target	+ £223,048
NNDR Collection	21.17%	21.97%	0.80% behind target	-£325,711
Sales Ledger Outstanding Debt	7.17%	5.50%	1.67% behind target	-£7,582,636

7.3 Council Tax (£67.8m)

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 2013/14 96.6%
Year End Target for 2014/15 96.6%

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

Month End Target	Month End Actual	Last year Actual
19.59%	19.55%	19.59%

Council tax collection can now be realistically compared to collection rates during 2013/14 as we're now in the second year of the localised CTS scheme. Collection rates are at a comparable level at the end of May 2014 compared to May 2013, so early indications suggest a similar end of year collection rate. The council tax debit has risen by £1.8m over the last 12 months which is partly due to growth, but also a result of less benefit payments being made which in turn results in more council tax to collect.

Cash collection is £223k more than at this point last year.

7.4 NNDR-Business Rates (£72.1m)

The % of business rates for 2014/15 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 2013/14 97.3%
Year End Target for 2014/15 97.3%

Month End Target	Month End Actual	Last year Actual
21.97%	21.17%	21.97%

NDR collection can tend to fluctuate in the earlier months of the financial year depending on whether some of the larger businesses make payment in the early part of the year. Due to the project which is ongoing to maximise the business rate base, there will also be debts which have been recently raised, but the businesses will not have had a chance to make payment.

7.5 **Sales Ledger (£27.7m)**
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 2014/15 are as follows:

Age of debt	Annual Target %	May 2014	
		£m	%
Total	5.50	1.99	7.17%

Sales ledger performance continues to show improvement with regard to the amount of outstanding debt, although work continues in trying to reduce this further.

8.0 **<u>PREVIOUS MINUTES</u>**
27/4/14 – Full Council, Service & Financial Planning Strategy
26/6/14 - Cabinet, Service & Financial Planning Report – 2013/14 Outturn and 2014/15 Update

9.0 BACKGROUND PAPERS
2014/15 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