

TELFORD & WREKIN COUNCIL

**CABINET – 15 NOVEMBER 2018
COUNCIL – 22 NOVEMBER 2018**

B

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 £0.8m of the centrally held contingency which leaves £4.8m available to meet any unforeseen costs or further pressures over the rest 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 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.

It is a positive position given that £7.6m savings were required to balance the 2018/19 budget and 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 £2.2m 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 £2.9m 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 four year model 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 £0.4m. 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 however it is anticipated that the Council will need to identify a further £20m-£25m savings by the end of 2020/21 on top of the £117m savings already delivered, so it is important that we maintain our excellent track record of robust active budget management and maximise the position in 2018/19 which will assist in future years.

1.2 **Capital**

The capital programme totals £74.6m 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, re-phasing and virements identified which will go forward to Full Council for formal approval.

1.3 **Corporate Income Collection**

Council Tax, Business Rates and outstanding Sales Ledger debt are currently slightly behind targets set. Overall, the amount of cash collected is higher than at the same point last year. In total £2.5m more cash has been collected than at the same point last year.

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. Also to approve the transfers to reserves detailed in section 4.3 and Appendix 2; and the use of contingency detailed in section 5 with delegated authority granted to the Director: Customer, Neighbourhood & Wellbeing Services after consultation with the Cabinet Member: Council Finance, Commercial Services and Economic Development.

- (ii) Note the position in relation to capital spend and Cabinet are asked to recommend that Council approve the new allocations, virements 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. |

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| 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 12 July | 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 | (1,500) | (892) | (2,392) | -24.8% |
| Cooperative Council Team | 1,181 | 0 | (6) | (6) | -0.5% |
| Children's Safeguarding & Early Help | 28,854 | 841 | 2,043 | 2,884 | 10.0% |
| Education & Corporate Parenting | 11,943 | 494 | (142) | 352 | 2.9% |
| Adult Social Care | 42,414 | 0 | 62 | 62 | 0.1% |
| Governance, Procurement & Commissioning | 2,884 | (97) | (43) | (140) | -4.9% |
| Health & Wellbeing | 2,635 | 5 | 284 | 289 | 11.0% |
| Customer & Neighbourhood Services | 30,875 | (327) | (145) | (472) | -1.5% |
| Commercial Services* | 1,774 | 62 | 158 | 220 | 12.4% |
| Council Wide | (10,278) | 0 | 0 | 0 | 0.0% |
| Total | 121,067 | (522) | 1,319 | 797 | 0.7% |
| Use of Contingency | | | (1,319) | (797) | |
| Overall Total | 121,067 | (522) | 0 | 0 | |

* this Service Area covers a 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> | |
| Planning Delivery – planning fee additional income | -0.130 |
| Property Investment Portfolio – early delivery of Growth Fund investments. | -0.653 |
| Contribution to Reserve – to support future investment proposals. | +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 and some longer term borrowing has been undertaken in 2018/19 to manage the risk of interest rate exposure. | -2.200 |
| <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. | +2.263 |
| 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 | |

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| <p>determining contribution splits ensuring that there is equity in terms of financial contribution from partners including the CCG.</p> <p>Leaving Care – the overspend relates to a small number of care leavers with high levels of needs.</p> <p>Staffing – savings from vacant posts</p> <p>Contribution from Reserves – set aside at 2017/18 year end to support delivery of the Cost Improvement Plan.</p> | <p>+0.547</p> <p>-0.154</p> <p>-0.500</p> |
| <p><u>Education & Corporate Parenting</u></p> <p>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.</p> <p>School Transport (pre 16) – the overspend relates to a saving target not yet delivered. Expenditure has been impacted by the increase in the numbers of children and young people with high needs. Work is ongoing to reduce costs.</p> <p>Corporate Parenting – an increase in Pupil Premium Grant allocated to Telford & Wrekin which has funded an element of the costs resulting in an underspend.</p> | <p>+0.170</p> <p>+0.457</p> <p>-0.131</p> |
| <p><u>Adult Social Care</u></p> <p>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.</p> <p>Income – projected client contributions are higher than budgeted.</p> <p>Income – projected contributions from Health due to successful negotiations with the CCG and receiving contributions to fund clients health needs.</p> <p>Government Grant – reflects the recently announced “Winter Funding” of £0.774m.</p> | <p>+1.432</p> <p>-0.513</p> <p>-0.150</p> <p>-0.746</p> |
| <p><u>Governance, Procurement & Commissioning</u></p> <p>There are no variations over £100k to report at present.</p> | |

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| <u>Health & Wellbeing</u> | |
| My Options – additional operating costs associated with Community Wellbeing and Community Support, Day Services and Homecare Services | +0.111 |
| <u>Customer & Neighbourhood Services</u> | |
| Concessionary Travel – lower take up of the service has resulted in the current projected underspend. | -0.101 |
| Sweeping – underspend due to the tonnage for sweepings being lower than budgeted. | -0.117 |
| Street Lighting/ Highway Lighting – reduction in electricity costs due to the implementation of the LED efficiency programme across the Borough. | -0.316 |
| Transfer to Reserves – to fund essential play area resurfacing in 2019/20. | +0.225 |
| <u>Commercial Services</u> | |
| 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. | +0.120 |

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: | -0.191 |
| | |
| Proposed Use: | |
| Cultural/Community/Visitor/Educational Activity | -0.120 |
| | |
| Commitments: | |
| Required to meet the current revenue pressures | -0.797 |
| | |
| Residual Balance | 4.792 |

The current revenue position is projected to be within budget at year end after using £0.8m of the contingency leaving £4.8m available to meet any unforeseen costs in the remainder of the year.

5.2 As part of the 2018/19 budget £17.85m of one-off resources were identified to support the Medium Term Financial Strategy. Planned use over the next two years is £7.5m which leaves £10.35m as additional assurance as we enter the next planning period which has a very high level of uncertainty. There is no information currently available to enable estimates of the impact of:-

- The move to 75% business rates retention,
- The impact of the Government's "Fair Funding Review"
- The implications of the "reset" of the business rates baseline
- The implications of the planned 2019 Comprehensive Spending Review and changes to the MoHC&LG departmental Expenditure Limit
- Any associated transitional damping or protection arrangements

All of these major changes are scheduled to come in to effect from 2020/21 making medium term financial planning projections less certain than has ever been the case previously.

It is therefore essential that the Council maintains flexibility in its medium term service and financial planning strategy and continues to develop options for delivering further ongoing savings and retaining an appropriate level of one-off resources to support the transition to the new system.

6.0 CAPITAL

6.1 2018/19 Capital Programme

The capital programme totals £74.6m, 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 £73.3m.

| Service Area | Current Budget | Spend to Date | % Spend | Year End Projection |
|----------------------------------------|----------------|---------------|------------|---------------------|
| | £m | £m | | £m |
| Development Business & Employment | 25.67 | 8.1 | 31.68% | 25.67 |
| Customer & Neighbourhood Services | 24.46 | 8.0 | 32.79% | 25.95 |
| Education & Corporate Parenting | 9.65 | 1.8 | 18.31% | 7.98 |
| Adult Social Care | 1.01 | 0.4 | 36.91% | 1.01 |
| Health & Well-Being | 0.06 | 0.0 | 85.41% | 0.06 |
| Cooperative Council | 2.14 | 0.3 | 14.17% | 2.14 |
| Governance Procurement & Commissioning | 0.26 | 0.1 | 32.81% | 0.26 |
| Finance & Human Resources | 2.76 | 0.4 | 12.77% | 2.10 |
| Commercial Services | 8.60 | 3.2 | 36.88% | 8.16 |
| Total | 74.61 | 22.3 | 30% | 73.33 |

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

6.3 The 2018/19 capital programme relies on £10.9m of receipts as part of its funding (after adjusting for changes already approved). Capital receipts included in the medium term budget strategy are under continual review and any changes will be reflected in future budget 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, sales ledger collection, council tax and NNDR collection are slightly behind target. However, cash collection has increased for council tax and sales ledger income streams compared to last year, although NNDR has reduced due to the national revaluation exercise.

| INCOME COLLECTION – Sept 2018 | | | | |
|--------------------------------------|---------------|---------------|------------------------|----------------------------------------------|
| | Actual | Target | Performance | Change in cash collected on last year |
| Council Tax Collection | 55.36% | 55.70% | 0.34% behind target | +£2,108,961 |
| NNDR Collection | 57.60% | 59.00% | 1.40% behind target | -£486,115 |
| Sales Ledger Outstanding Debt | 5.33% | 4.70% | 0.63% behind of target | +£827,272 |

7.3 Council Tax (£83.5m)

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 |
|------------------|------------------|------------------|
| 55.70% | 55.36% | 55.63% |

There is over £4 million more to collect in council tax during 2018/19 compared to 2017/18, and we've now collected over £2.1m 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.

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 |
|------------------|------------------|------------------|
| 59.00% | 57.60% | 58.81% |

Business rates is 1.4% behind target, but business rates tends to fluctuate throughout the year slightly. Close monitoring of this will take place over the next few months.

7.5 **Sales Ledger (£57.5m)**

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 % | Sept 2018 | |
|-------------|-----------------|-----------|-------|
| | | £m | % |
| Total | 4.70 | 2,922 | 5.33% |

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

1/07/18 – Cabinet, 2018/19 Financial Management Report

9.0 **BACKGROUND PAPERS**

2018/19 Budget Strategy / Financial Ledger reports

Report Prepared by:

Ken Clarke, Assistant Director: Finance & HR (Chief Financial Officer)
– 01952 383100;

Pauline Harris, Corporate Finance Manager – 01952 383701