TELFORD & WREKIN COUNCIL

CABINET – 17 OCTOBER 2013
COUNCIL – 21 NOVEMBER 2013

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

Current financial monitoring shows revenue spending for the year is projecting to be within budget at year end which is after using £3m of the budgeted contingencies (this includes planned allocation of the contractual inflation contingency) leaving £2.5m available in remaining contingencies. This is a considerably improved position compared to the previous monitoring report considered by Cabinet in July. A great deal of proactive budget management activity has been carried out by the Council's Senior Management Team which has resulted in the identification of just under £2.5m further in-year savings. This has enabled additional pressures, including the 1% pay award costing around £0.65m in year to be covered and, further, the call on contingencies to be reduced by just over £1m compared to the position reported to Cabinet in July.

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

- Care & Support Services are projecting an overspend of £3.1m relating to the cost of care packages (an increase of £1.4m since the last report); there are also pressures relating Supporting People which is £0.5m over budget; combined the overall overspend is currently projected at £4.2m;
- The cost of Children in Care Placements continues to be a significant pressure with an overspend of £1.9m being reported, an increase of £0.6m since the last report;
- A shortfall of £0.3m in relation to Lifelong Learning lost grant income;
- ICT – the cost of maintenance contracts is giving rise to an overspend of £0.350m;
- Trading Services including Catering, Cleaning and ICT – loss of trading income from schools gives rise to a £0.2m shortfall against budget.

- A benefit of £0.4m arising from recovery of benefit overpayments;
- A benefit of £1.1m arising from active treasury management;
- A refund from Government of £0.731m in relation to previously top-sliced revenue support grant;
- A benefit of £0.148m from the West Mercia Energy Dividend;
- A benefit of £1.4m from early delivery of savings.

1.2 Capital

The capital programme totals £125.7m which includes slippage from 2012/13 and approvals to date. Spend at the time of compiling this report was around 17% which is broadly in line with the profile of previous years.

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 £46m. As previously reported, monitoring indicates that £31m of these receipts will not now be received until future years. Work has been undertaken to develop a contingency plan should some of the receipts not be forthcoming rather than simply be subject to some re-phasing and the treasury management projections included in this report allow for the cost of this slippage.

1.3 Corporate Income Collection

The collection level for NNDR is ahead of target; 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 uses of the budgeted contingency detailed in paragraph 5 and savings detailed in appendix 2;

(ii) Note the position in relation to capital spend and that Cabinet recommend that Council approve the new allocations and slippage detailed in Appendix 3;

(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 high 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	**July Cabinet Report**	**Change**	**Current Projected Variation**
Children's Safeguarding – Children in Care Placements	+1.348	+0.564	+1.912
Children's Safeguarding – Increased costs relating to parenting assessments	0.000	+0.189	+0.189
Children's Safeguarding – lower costs arising from reduced use of agency staff	-0.084	-0.143	-0.227
Transport Review – lower than budgeted saving relating to the transport review	0.000	+0.192	+0.192
Care & Support – increased cost of care packages	+1.700	+1.361	+3.061
Care & Support – inflation provision and other one-off funding	-0.928	-1.070	-1.998
Care & Support – reduced overspend relating to care leavers	+0.700	-0.102	+0.598
Care & Support – transport costs mainly relating to ALD clients	0.000	+0.120	+0.120
Development. Business & Employment – costs associated with PIP rationalisation	0.000	+0.183	+0.183
Revenues & Benefits – underspends projected in various budgets	0.000	-0.233	-0.233
Customer & People Services – loss of school income relating to catering, cleaning and ICT	0.000	+0.204	+0.204
Public Protection – shortfall of licensing income	0.000	+0.179	+0.179
Public Protection – higher than budgeted income from land charges	0.000	-0.135	-0.135
Treasury – increased benefit from active treasury management	-0.500	-0.600	-1.100
Housing Benefit Subsidy – mainly arising from recovery of overpayments	-0.100	-0.302	-0.402
Net benefit from early delivery of savings	0.000	-1.358	-1.358
Cost of pay award	0.000	+0.655	+0.655
Other Variances	-0.595	-1.000	-1.595
Total Projected Variation	**+1.541**	**-1.296**	**+0.245**
Call on Contingency	-1.541	+1.296	-0.245
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 - 25/7/13 Cabinet £	Total Current Variation £	Change £
Children's Safeguarding	527,847	1,000,691	472,844
Education & Corporate Parenting	350,000	(74,049)	(424,049)
Family & Cohesion Services	0	184,960	184,960
Development, Business & Employment	212,000	301,686	89,686
Neighbourhood & Leisure Services	110,000	193,900	83,900
Care & Support	2,898,458	4,187,000	1,288,542
Public Health	(347,235)	(317,942)	29,293
Customer & People Services	402,500	215,678	(186,822)
Law, Democracy & Public Protection	0	67,561	67,561
Finance, Audit & Information Governance	(704,961)	(1,270,461)	(565,500)
Cooperative Council Delivery Unit	0	(93,550)	(93,550)
Council Wide	(1,907,240)	(4,150,238)	(2,242,998)
Total Projected Variation	**1,541,369**	**245,236**	**(1,296,133)**
Call on Corporate Contingency	(1,541,369)	(245,236)	1,296,133
Projected Year End Position	**0**	**0**	**0**

This overall position includes meeting the cost of the 2013/14 pay award and net benefits totalling £1.4m arising from the early delivery of savings. There is a further £0.4m benefit anticipated through actively supporting growth in council tax funding in line with the Council's growth policy.

4.4 Projected variances over £0.100m and information relating to savings delivered early are highlighted below.

Service Area	Variance £m
Children's Safeguarding	
Children in Care – currently projecting £1.9m overspend; this reflects 321 CiC at the 13 September (321 at 31 March 2013). The cost improvement plan is well established with the aim of bringing spend back in line with the budget. 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.	+1.913
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. **Staffing** – reduced use of agency staff is projecting a saving of £0.241m **Early Delivery of savings** – net savings the Service Area is projecting to deliver by year end	+0.189 -0.241 -0.279
<u>Education & Corporate Parenting</u> **School Transport –** projected saving based on current levels of spend **Early Delivery of savings** – net savings the Service Area is projecting to deliver by year end	 -0.100 -0.073
<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. **Early Delivery of savings** – net savings the Service Area is projecting to deliver by year end	 +0.177 -0.100
<u>Care & Support</u> **Purchasing budgets –** the projected overspend relates to 2013/14 savings taken out of budgets which have not been delivered, 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. **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. **Supporting People** – delay in achievement of saving combined with an increase in demand for the service.	 +3.061 +0.598 +0.483

Transport – projected overspend from transporting clients. **Early Delivery of savings** – net savings the Service Area is projecting to deliver by year end	+0.120 -0.215
Public Health **Staffing** – projected savings arising from vacancies **Drugs & Alcohol Services** – review of contract arrangements **Early Delivery of savings** – net savings the Service Area is projecting to deliver by year end	 -0.282 -0.137 -0.132
Neighbourhood & Leisure Services There are currently no variances over £0.1m to report.	
Development, Business & Employment **Lifelong Learning –** largely as a result of loss of government grant funding **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. **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. **Early Delivery of savings** – net savings the Service Area is projecting to deliver by year end	 +0.295 +0.183 +0.162 -0.165
Customer & People Services **ICT –** overspend relating mainly to increased costs associated with maintenance contracts. **Catering, Cleaning and ICT** – loss of school income The service area is also undertaking a review of claimants	 +0.350 +0.200

receiving single persons discount which is projected to increase income from council tax. The impact of this is not included in the Service Area position as the actual benefit will accrue in the Collection Fund which is the statutory fund required to account for council tax and part of any additional income generated will benefit the Fire and Police Authorities.	
<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. **Early Delivery of savings** – net savings the Service Area is projecting to deliver by year end	 -1.100 -0.076
<u>Law, Democracy & Public Protection</u> **Licensing** – shortfall in licensing income **Land Charges** – additional income relating to land charges **Early Delivery of savings** – net savings the Service Area is projecting to deliver by year end	 +0.179 -0.135 -0.052
<u>Cooperative Council Delivery Unit</u> There are currently no variances over £0.1m to report. **Early Delivery of savings** – net savings the Service Area is projecting to deliver by year end	 -0.049
<u>Government Funding Refund</u> –refund in relation to previously top-sliced Revenue Support Grant.	-0.731
<u>Housing & Council Tax Benefit Subsidy</u> Projected benefit from recovery of overpayments.	 -0.402
<u>Purchase Rebates</u> Surplus dividend from West Mercia Energy relating to 2012/13 outturn performance.	 -0.148
<u>Other One off Resources</u> – identified to contribute to service overspends.	-2.868

CONTINGENCIES

5.1 The 2013/14 budget includes a contingency of £2.5m, which is set aside to meet any unforeseen expenditure plus an amount held centrally for contractual inflation totalling £1.67m; and a specific amount of £1.3m earmarked for Safeguarding (children and adults).

	£
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 approved at Cabinet 25 7 13	116,500
Application Costs for Village Green	25,000
Amount required to meet current Revenue Shortfall	245,236
Total Use of Contingency	**3,008,736**
Balance remaining in Contingencies	**2,461,264**

6.0 CAPITAL

6.1 **2013/14 Capital Programme**

The capital programme totals £125.7m which incorporates slippage and new approvals.

The financial position is shown in the table below which shows spend at 4% of the budget allocation. Projected spend is currently shown at £108m and work is underway to robustly challenge estimates and to confirm whether any further slippage is likely to occur which will be brought forward in the next report.

Priority	Budget £m	Spend To Date £m	% Spent	Projection
Protect and Support our Vulnerable Children & Adults	3.863	0.624	16.2	3.404
Improve the Health & Wellbeing of our Communities	2.234	0.171	7.7	2.253
Protect and Create Jobs as a Business Supporting, Business Winning Council	18.426	4.868	26.4	18.476
Improve Local People's Prospects through Education & Skills	69.655	11.167	16.0	52.417
Regenerate Neighbourhoods in Need	9.873	1.593	16.1	9.764
Managing the Organisation	3.375	0.460	13.6	3.116

Priority	Budget £m	Spend To Date £m	% Spent	Projection
Ensure that Neighbourhoods are Safe and Clean	18.256	3.043	16.7	18.316
Total	**125.682**	**21.926**	**17.4**	**107.746**

Slippage and new allocations for approval are included in Appendix 3.

The 2013/14 programme relies on £46m capital receipts as part of its funding. Early monitoring indicates that around £31m of these receipts will not now be received until future years Work has been undertaken to develop a contingency plan should some of the receipts not be forthcoming rather than simply be subject to some re-phasing and the treasury management projections included in this report allow for the cost of short-term borrowing for the current year estimated at £116k.

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 and NNDR rateable value appeals (which can be backdated for several years with the Council having to fund 49% of the cost despite not having benefitted from the income before 1st April 2013) in its accounts.

7.2 In summary, the overall position shows collection levels for NNDR are ahead of target while Council Tax collection and sales ledger debt is outside the target set.

INCOME COLLECTION – AUGUST 2013				
	Actual	**Target**	**Performance**	**Change in cash collected on last year**
Collection Levels:				
Council Tax	47.07%	47.76%	0.69% behind target	+ £1,755,388
NNDR	51.69%	50.95%	0.74% ahead of target	+ £1,524,472
Sales Ledger Outstanding Debt	6.11%	5.50%	0.61% behind target	+ £3,848,692

7.3 Council Tax (£66.2m)

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
47.76%	47.07%	48.06%

Collection is behind target by 0.69% and performance on this time last year by 0.99%. The collection performance is a direct result of the abolition of council tax benefit and the introduction of council tax support. Collection rates for those in receipt of benefit are significantly lower than collection rates for non benefit customers. Pro active telephone calls to benefit customers are taking place prior to summons action, in order to gain either a payment or a payment arrangement.

7.4 **NNDR-Business Rates (£70.2m)**

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
50.95%	51.69%	50.95%

NDR collection for August is 0.74% ahead of target and performance this time last year, although the good performance is largely due to some internal payments rather than a widespread increase in collection. However, we have introduced pro active telephone calls to businesses that receive a summons with a view to obtaining full payment or making a payment arrangement.

The new Local Government Funding Mechanism is based on the premise that 50% of business rates collected is retained locally (49% Council / 1% Fire Authority) and therefore directly forms part of the Council's overall funding. This transfers more risk to the Council from Central Government as funding can be affected both in-year and on an ongoing basis by changes to the rating list, such as deletions, mergers and appeals. As this is the first year of the new finance system, there is limited historic information available to accurately predict the financial impact of these changes. Regular monitoring has identified the following trends 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 will be a significant cost to the Council but due to lack of information are currently very difficult to predict. Further, a provision will have to be made at year end to meet the cost of outstanding appeals and technical guidance is expected to clarify how this will operate in practice but this will be predicted based upon history of appeals and a view on appeals being successful going forward. This is a challenge nationally, not just locally, the government are aware of the challenges and especially in the context of changing the administration of business rates from 2013. 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.

7.5 **Sales Ledger (£36.5m)**

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 2013/14 are as follows:

Age of debt	Annual Target %	August 2013	
		£m	%
Total	5.50	2.231	6.11%

Performance for sales ledger outstanding debt is outside target, but performance has improved over the last few months and work continues to reduce the amount of debt outstanding.

8.0 PREVIOUS MINUTES

07/03/13 – Full Council, Service & Financial Planning Strategy
25/07/2013 – Cabinet, Financial Monitoring Report
12/09/2013 – Full Council, Financial Monitoring

9.0 **BACKGROUND PAPERS**

2013/14 Budget Strategy / Financial Ledger reports

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