

TELFORD & WREKIN COUNCIL

**CABINET – 18 OCTOBER 2012
COUNCIL – 22 NOVEMBER 2012**

2012/13 FINANCIAL MONITORING REPORT

**REPORT OF THE ASSISTANT DIRECTOR: FINANCE, AUDIT &
INFORMATION GOVERNANCE (CHIEF FINANCIAL OFFICER)**

PART A) – SUMMARY REPORT

1.0 SUMMARY OF KEY ISSUES

1.1 2012/13 Revenue

Current financial monitoring shows revenue spending for the year is projecting to be within budget at year end which, given the context of the Council having to make £19m of budget savings required as part of the 2012/13 budget strategy, is a very positive position. The year-end projection is after £4.4m of the budgeted contingency has been used. Pressures arising from contractually committed inflation will be addressed using much of the remaining contingency. Tight budget monitoring will continue throughout the year and any opportunities to deliver savings earlier than currently planned, or to make further savings, will be taken during the remainder of the year.

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

- The cost of Children in Care Placements together with the use of agency staff in the Children's Safeguarding Service and associated legal costs – showing a combined variation for the Children & Safeguarding Service Area of £2.3m which is £0.3m higher than previously reported.
- A shortfall of £0.256m in relation to the Education Business Partnership due to lost grant income.
- Care & Support Services are projected to be overspend by £1.5m which is after offsetting anticipated one-off funding from the NHS totalling £4.7m and again is higher than previously reported. The majority of the overspend relates to the PCT's withdrawal of funding for some clients with healthcare needs and the costs of supporting these people falling on the Council.
- A benefit of £0.5m arising from active treasury management
- Savings against employee budgets relating to vacant posts across a range of services totalling £0.660m
- A one-off refund of £0.351m from the Government in relation to academies funding

- The cost of Specialist Education – net projected overspend of £0.250m which relates to stated provision, an increase of £0.200m since the last report;
- Income shortfalls of £1.4m relating to a number of services including building control fees, planning fees and PIP rentals, temporary accommodation, school meals, licensing fees and Adult Social Care Client contributions

1.2 **Capital**

The capital programme totals £114m which includes approved changes for slippage and new approvals. Spend at the time of compiling this report was 11%; robust programme management and monitoring is in place.

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 position is being closely monitored and while there have been some changes since the budget was set, total receipts are currently on track.

1.3 **Corporate Income Collection**

NNDR Collection is ahead of target; collection levels for council tax and Sales Ledger outstanding debt are behind target.

2.0 **RECOMMENDATIONS**

2.1 Members are asked to

- (i) Note that 2012/13 revenue spend is currently projecting to be within budget at year end
- (ii) Approve the proposed uses of the budgeted contingency detailed in para. 6.1
- (iii) Note the position in relation to capital spend and make a recommendation to Full Council that the slippage, virements and new allocations identified in Appendix 3 are approved
- (iv) Note that collection of nndr income is ahead of target while Council Tax collection and Sales Ledger outstanding debt are behind targets set.

3.0 **SUMMARY IMPACT ASSESSMENT**

COMMUNITY IMPACT	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	
TARGET COMPLETION/DELIVERY DATE	To outturn within budget at 31/3/13	
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	Borough Wide

4.0 **PREVIOUS MINUTES**

01/03/12 – Full Council, Service & Financial Planning Strategy

26/07/12 – Cabinet, Financial Monitoring Report

13/09/12 – Full Council, Financial Monitoring Report

PART B) – ADDITIONAL INFORMATION

5.0 **2012/13 REVENUE BUDGET**

5.1 Financial monitoring is undertaken following a risk based approach: more focus is given to high risk areas (high value/highly volatile); less frequent monitoring is undertaken on low risk areas with budget holders having a role in reviewing their own service position.

5.2 Initial monitoring shows that spend is projected to be within budget at year end which includes use of £4.4m of the remaining corporate contingency. The main changes since the last report are shown below

Variations - £m	July Cabinet Report	Change	Current Projected Variation
Children's Safeguarding – supported placements, special guardianship and residence orders	0.000	+0.114	+0.114
Children's Safeguarding – child protection and assessment staffing	+0.324	+0.320	+0.644
Education, Culture & Skills – Education Business Partnership loss of grant income	0.000	+0.256	+0.256
Family & Cohesion – Statements	+0.050	+0.200	+0.250

Variations - £m	July Cabinet Report	Change	Current Projected Variation
Family & Cohesion – Early Years staff savings	0.000	-0.213	-0.213
Family & Cohesion – Home to School Transport	0.000	-0.200	-0.200
Family & Cohesion - Housing	0.000	+0.136	+0.136
Care & Support – procurement of care packages	+5.050	+0.450	+5.500
Care & Support – client contribution income	+0.400	-0.165	+0.235
Care & Support – supporting people, non-achievement of saving relating to WHT and eligible housing benefit expenditure	0.000	+0.330	+0.330
Neighbourhood & Leisure Services – winter maintenance	0.000	+0.151	+0.151
Neighbourhood & Leisure Services – TWS Pension Costs	0.000	+0.117	+0.117
Neighbourhood & Leisure Services – Domestic Refuse, replacement costs for lost/damaged containers	0.000	+0.130	+0.130
Development & Housing – shortfall on PIP rental income	0.000	+0.250	+0.250
Development & Housing – shortfall in building control fee income	0.000	+0.100	+0.100
Development & Housing – shortfall in planning fee income	0.000	+0.300	+0.300
Development & Housing – NNDR increase due to revaluations	0.000	+0.102	+0.102
Law, Democracy & Public Protection – land charges income higher than budgeted	0.000	-0.126	-0.126
Law, Democracy & Public Protection – shortfall in licensing fee income	0.000	+0.143	+0.143
Council Wide – additional benefit from treasury management	-0.200	-0.300	-0.500
Funding Refund (academies)	0.000	-0.351	-0.351
Other Variations	-2.990	+0.055	-2.935
Total Projected Variation	+2.634	+1.799	+4.433
Call on Contingency	-2.634	-1.799	-4.433
Final Projected Variation	0.000	0.000	0.000

5.3 Variations of more than £0.100m are detailed in section 5.4 for each Service Delivery Unit. The overall 2012/13 budget position is summarised in the table below :

Service Delivery Unit	Total Variation £
Children's Safeguarding	2,397,728
Education, Culture & Skills	237,000
Family & Cohesion Services	(90,000)
Development, Business & Housing	752,000
Neighbourhood & Leisure Services	313,000
Care & Support	1,529,000
Customer & People Services	525,740
Law, Democracy & Public Protection	(169,285)
Finance, Audit & Information Governance	(118,820)
Cooperative Council Delivery Unit	(91,695)
Council Wide	(851,000)
Total Projected Variation	4,433,668
Call on Corporate Contingency	(4,433,668)
Projected Year End Position	0

5.4 Projected variances over £0.100m are highlighted below.

Service Delivery Unit	Variance £m
<u>Children's Safeguarding</u>	
Children in Care – based on a total of 302 Children in Care (mid Sept).	+1.380 [reduced overspend]
Supported Placements/Special Guardianship and Residence Orders	+0.114 [increased overspend]
Child Protection and Assessment Staffing – overspend arising from the use of agency staff employed to cover vacancies.	+0.644 [increased overspend]
Support for Children in Need/Legal Costs and Assessments – costs associated with court proceedings, specific support for children in need and specific assessment requests.	+0.254 [no change]
<u>Education, Culture & Skills</u>	
Employees – anticipated impact from the restructure and vacancies.	-0.130 [no change]
Education Business Partnership – loss of grant funding	+0.256 [increased]

<p>There is also a potential risk of reduced income relating to traded services; further work is needed to establish the financial impact.</p>	<p>overspend]</p>
<p><u>Family & Cohesion Services</u></p> <p>Specialist Education – projected overspend based on numbers currently in the system and an estimate of future statements. Projections of expenditure in this area are volatile due to the constant updating of information. This is net of DSG funding brought forward from 2011/12. Work is ongoing to review all DSG areas to identify savings to cover this overspend.</p> <p>Early Years – includes staff savings</p> <p>Transport – projected savings on Home to School Transport costs</p> <p>Housing – income shortfall relating to temporary accommodation</p> <p>There is also a potential risk of reduced income relating to traded services; further work is needed to establish the financial impact.</p>	<p>+0.250 [increased overspend]</p> <p>-0.213 [increased benefit]</p> <p>-0.200 [increased benefit]</p> <p>+0.136 [increased overspend]</p>
<p><u>Care & Support</u></p> <p>Purchasing budgets –resulting mainly from the impact of the PCT’s withdrawal of funding to clients due to their review of eligibility criteria resulting in more Continuing Health Care (CHC) costs falling on the council. The Council is engaged in productive dialogue with the PCT and it is anticipated that the impact in 12/13 will be mitigated – see below.</p> <p>NHS/PCT Funding – anticipated funding from the PCT in relation to clients with a Primary Health Need (CHC clients) as they rebalance their spending.</p> <p>Other NHS Funding - funds passed to the PCT by the Department of Health to support Social Care in Local Authorities.</p> <p>Income – shortfall of client contributions from all client groups.</p>	<p>+5.500 [increased overspend]</p> <p>-2.700 [no change]</p> <p>-2.030 [no change]</p> <p>+0.235 [reduced]</p>

<p>Care Leavers – overspend relating to the cost of supporting 16-18 year olds as they leave care.</p> <p>Supporting People – delay in achievement of saving</p>	<p>overspend]</p> <p>+0.194 [increased overspend]</p> <p>+0.330 [increased overspend]</p>
<p><u>Neighbourhood & Leisure Services</u></p>	
<p>Winter maintenance costs in excess of budget</p> <p>TWS Pension Costs – increased costs from Shropshire Pension Fund</p> <p>Domestic Refuse – replacement costs for lost/damaged containers</p>	<p>+0.151 [increased overspend]</p> <p>+0.117 [increased overspend]</p> <p>+0.130 [increased overspend]</p>
<p><u>Development, Business & Housing</u></p>	
<p>PIP Rental Income – shortfall due to economic climate</p> <p>Building Control Fees – shortfall due to downturn in the economy</p> <p>Planning Fees – shortfall due to downturn in the economy</p> <p>Operational Properties – increased NNDR due to revaluations</p>	<p>+0.250 [increased overspend]</p> <p>+0.100 [increased overspend]</p> <p>+0.300 [increased overspend]</p> <p>+0.102 [increased overspend]</p>
<p><u>Customer & People Services</u></p>	
<p>Education catering client account – shortfall against free school meals income budget partly due to schools not buying back into the service.</p>	<p>+0.197 [no change]</p>

<u>Law, Democracy & Public Protection</u>	
Land Charges Income – additional search fees income	-0.126 [increased benefit]
Licensing Income – shortfall arising mainly from taxi licensing	+0.143 [increased overspend]
<u>Government Funding Refund</u> – one-off refund in relation to academies funding.	-0.351 [increased benefit]
<u>Treasury Management</u>	
Benefit of low interest rates and lower borrowing than anticipated in the early part of the year.	-0.500 [increased benefit]

6.0 **CONTINGENCIES**

- 6.1 The 2012/13 budget includes combined contingencies of £7.391m, which are set aside to meet any unforeseen expenditure.

	£m
General Revenue Contingency	1.596
Inflation Contingency *	2.550
Additional One Off Contingencies (held in reserves)	3.245
Total Contingency	7.391
Proposed Uses:	
Off-site processing of Benefits Applications 12/13	0.080
Uses previously approved at Cabinet	0.582
Amount required to meet current Revenue Shortfall	4.433
Balance remaining in Contingencies	2.296

*A review of all the Council's reserves and balances will be undertaken over the next few months which will include known commitments/uses of the inflation contingency shown above. This will significantly further reduce the amount left in the contingency.

7.0 **CAPITAL**

7.1 **2012/13 Capital Programme**

The capital programme totals £114m which is after including approved adjustments for re-phasing, new approvals and slippage. Spend is shown in the table below and currently stands at 11% and robust programme management and monitoring is in place .

Priority	Budget £m	Spend To Date £m	%	Projection £m
Vulnerable Children & Adults	4.911	0.690	14	4.911
Health & Wellbeing	4.982	0.645	13	4.982
Business Supporting, Business Winning	26.111	3.639	14	16.169
Education & Skills	54.931	4.816	9	55.215
Neighbourhoods in Need	9.989	1.635	16	10.016
Managing the Organisation	1.898	0.151	8	1.898
Neighbourhoods are safe and clean	11.026	1.555	14	12.078
Total	113.848	13.131	11.5	105.269

New allocations, virements and rephasing of schemes which require approval and are detailed in Appendix 3.

- 7.2 The capital programme funding includes £109m receipts anticipated to be delivered over the medium term. Failure to achieve, or delays to, receipts would have financial implications for the Council. Detailed monitoring shows that in total receipts are currently on track. There is a projected shortfall in 2012/13 however the majority of this will be covered through slippage of expenditure. The position will continue to be closely monitored and an update was recently taken to Audit Committee on the 25 September.

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 NNDR is ahead of target while Council Tax collection and sales ledger debt are behind the target set.

INCOME COLLECTION – AUGUST 2012			
	Actual	Target	Performance
Collection Levels:			
Council Tax Collection	48.06%	48.32%	0.26% behind target
NNDR Collection	50.95%	50.42%	0.53% ahead of target
Sales Ledger Outstanding Debt	7.33%	5.50%	1.83% behind target

8.3 Council Tax (£61.1m)

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 2011/12	97.8%
Year End Target for 2012/13	97.8%

Performance is cumulative during the year and expressed against the complete year's debit. Performance to the end of August is 0.26% behind the target set for this year and the performance at the same time last year:

Month End Target	Month End Actual	Last year Actual
48.32%	48.06%	48.32%

8.4 NNDR-Business Rates (£68.2m)

The % of business rates for 2012/13 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 2011/12	98.3%
Year End Target for 2012/13	98.3%

Performance at the end of August is 0.53% ahead of the month end target and the collection at the same time last year.

Month End Target	Month End Actual	Last year Actual
50.42%	50.95%	50.42%

8.5 Sales Ledger (£36.9m)

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 are as follows:

Age of debt	Annual Target %	August 2012	
		£m	%
Total	5.50	2.708	7.33%

Performance for sales ledger outstanding debt is currently outside target. The majority of the debt relates to invoices under 6 months old, and over 12 months old. The volume of debt outstanding has reduced over the last few months as the Service is actively pursuing higher debts.

9.0 BACKGROUND PAPERS

2012/13 Budget Strategy / Financial Ledger reports

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