

TELFORD & WREKIN COUNCIL

**CABINET – 30 MAY 2019
COUNCIL – 25 JULY 2019**

**SERVICE & FINANCIAL PLANNING REPORT – 2018/19 OUTTURN AND
2019/20 UPDATE**

**REPORT OF THE ASSISTANT DIRECTOR: FINANCE & HR (CHIEF
FINANCIAL OFFICER.)**

LEAD CABINET MEMBER: CLLR LEE CARTER

PART A) – SUMMARY REPORT

1.0 SUMMARY OF KEY ISSUES

1.1 2018/19 General Fund Revenue Financial Outturn

The Council has continued to demonstrate very robust financial management during 2018/19 with a positive year-end position, despite some areas of significant pressure arising from increased demand for services and the severe financial constraint caused by further, unprecedented, Government funding cuts. The year-end position has allowed a number of one off investments in key areas to be made helping to make the borough a better place to live, work, learn, visit and do business in. Within the overall position, the Council has also been able to set aside funds to support the delivery of the Service & Financial Planning Strategy in future years which, given the many uncertainties which lie ahead, is vital in terms of both financial planning and continuing financial resilience.

The gross revenue budget for 2018/19 was £428m and the net budget was £121m. The revenue outturn position is within budget by £0.275m (which is equivalent to only -0.23% of net budget) after the proposed transfers to reserves and balances have been made. This position has been achieved after delivering £7.6m of budget savings in 2018/19, on top of the £110m made in the previous 9 years giving a total of just over £117m - equivalent to around £1,500pa for every home in the borough.

As mentioned, the Council has been able to create a number of provisions from the 2018/19 outturn position to support its priorities and sustain its financial position going forward.

These include:

- £1.0m Pride in Your High Street
- £1.0m for Regeneration
- £1.3m to support a range of initiatives, such as promoting physical activity, supporting Armed Forces personnel and investment in green spaces and Rights of Way
- £0.8m additional investment in Children's Safeguarding
- £0.175m to tackle homelessness

The funding outlook for the medium term is very uncertain with significant changes to the local government finance system due to be implemented from April but with very little information available about what impact these changes will have on the Council. However, using the limited information that is available, it is currently anticipated that the Council will need to identify around £30m of further savings over the next three years (2019/20 – 2021/22) on top of the £117m already delivered to the end of 2018/19. Within the year-end position we have been able to set aside £1.7m to support the medium term service and financial planning strategy.

Our pro-active approach secured a number of favourable variations during the year which contributed to the overall positive position.

These included:

- A benefit totalling £3.2m has been delivered from Treasury Management the majority of which relates to benefits from low interest rates for short-term borrowing and the Treasury Management Strategy of keeping the majority of new borrowings very short term. Some longer-term borrowing has been undertaken during 2018/19 to reduce interest rate exposure and as we lock into more longer-term rates the overall benefit to the budget will reduce. The position is regularly monitored by senior finance staff and advice taken from the Council's external treasury management advisors to manage the interest rate exposure whilst seeking to maximise short-term gains in order to support delivery of front-line services.
- Active management of the Property Investment Portfolio has resulted in a benefit of £0.7m which includes the early delivery of income arising from new investments delivered through the Telford Growth Fund.
- A successful VAT claim has resulted in a one-off benefit of £2.7m during the year

The key areas of pressures during 2018/19 were:

- **Children's Safeguarding & Family Support** ended the year with a service overspend of £3.1m. Spend during the year was higher than the budget as there was an increasing number of more expensive specialist placements for looked after children with complex and

severe behaviours or emotional health needs over the course of the year. The Council has invested additional funding of £4.893m into the Children's Safeguarding & Family Support budget over the next year highlighting the very high priority placed by the Council on safeguarding children. A cost improvement plan is in place which is monitored on a regular basis by senior managers and Cabinet Members.

- **Adult Social Care** ended the year with a service overspend of £0.204m. As reported throughout the year, the cost of purchasing care packages from external providers and high demand led to a pressure of £3.1m. This was mitigated by additional income totalling £2.8m from grant funding, CCG funding and client contributions. As part of the budget strategy, the Council has committed additional investment totalling £0.8m into the Adult Social Care budget in 2019/20. The Service also has a Cost Improvement Plan in place to deliver better outcomes and efficiencies.

1.2 2018/19 Capital Outturn.

Capital spend ended the year at £57.6m against an approved estimate of £71.7m which was in the main due to re-phasing expenditure into 2019/20. The re-phasing of planned spending will generate some further treasury management benefits in 2019/20.

1.3 Income Monitoring

Overall cash collection is in a good position with over £15m more cash collected than in the previous financial year. The collection rate for Business Rates was ahead of the target for the year although Council Tax collection and Sales Ledger were very slightly behind target. All debt is pursued rigorously and continues to be collected after the end of the financial year with all appropriate recovery avenues being pursued.

1.4 NuPlace Ltd

2018/19 was the fourth year of operation for NuPlace Ltd, the Council's wholly owned housing investment company. NuPlace is a separate legal entity and as such prepares its own accounts but as NuPlace is wholly owned by the Council consolidated group accounts are also prepared. The unaudited accounts show that NuPlace generated an operating profit before taxation of £0.492m in 2018/19 (£0.343m in 2017/18) and as planned no dividend was distributed. The Council also received income from NuPlace totalling £1.2m during 2018/19 (£1.2m in 2017/18) net of additional interest and other marginal costs.

1.5 General

The draft formal statement of accounts will be considered at the Audit committee on 30 May 2019 and audited by Grant Thornton, the Council's external auditors during June and July. The accounts will also be available for public inspection for 30 working days from 31 May 2019.

- 1.6** Summaries of the outturn on revenue and capital along with major variations are shown as appendices to this report.

1.7 2019/20 Update

The Council faces another very challenging year in 2019/20 and key issues are already highlighted in this first high level review of the budget position. Once the final accounts are completed more detailed new year monitoring will take place and a further, more detailed, report will be brought to the July meeting of the Cabinet with an updated position.

2.0 RECOMMENDATIONS

2.1 Cabinet Members are asked to approve the following recommendations which will go forward to Full Council for final approval:

(i) To approve:

- the Revenue outturn position for 2018/19 and related virements in Appendix 3 which is subject to audit by the Council's external auditors;
- the transfers to reserves and associated approval to the relevant Assistant Directors to spend the reserves detailed in section 5

(ii) To approve the Capital outturn position and related supplementary estimates, re-phasing and virements shown in Appendix 4 and as summarised in the report.

(iii) To grant delegated authority to the Assistant Director: Finance & HR to make any minor changes required as the outturn is finalised, in consultation with the Cabinet Member for Finance, Commercial & Borough Economy

(iv) To note the performance against income targets.

(v) To note the key issues identified for 2019/20

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. Financial management ensures best use of resources. |
| TARGET COMPLETION/DELIVERY DATE | Outturn forms the basis of the formal statement of accounts which will be presented to the Audit Committee in draft format at the end of May. The statement of accounts will be audited during June and July and the final version will | |

| | | |
|-------------------------------------------------|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | be published by the end of July following consideration by the Audit Committee. | |
| 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 to take action if overspends /shortfalls emerge. There is a requirement to publish the audited Statement of Accounts by the end of July and the draft accounts should be presented to the Audit Committee before the end of May. |
| 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. |
| IMPACT ON SPECIFIC WARDS | No | |

PART B) – ADDITIONAL INFORMATION

4.0 2018/19 REVENUE BUDGET

4.1 The Council had a gross revenue budget of £428m for 2018/19 and the final net revenue outturn position is as follows (a more detailed summary is provided in Appendix I):

| | £m |
|--------------------------------|----------------|
| Net Budget | 121.066 |
| Net Expenditure | 120.791 |
| Net Position | -0.275 |
| Percentage Net Variance | -0.23% |

4.2 Variations by Service Delivery Unit are summarised below and further detail is provided in Appendix 2.

| | Final Budget | Outturn | Variance |
|------------------------------------------|---------------------|--------------------|------------------|
| | £ | £ | £ |
| Business, Development & Employment | (1,238,714) | (1,261,997) | (23,283) |
| Finance & Human Resources | 9,669,511 | 6,609,651 | (3,059,860) |
| Cooperative Council | 1,281,684 | 1,231,424 | (50,260) |
| Children's Safeguarding & Family Support | 28,335,408 | 31,397,462 | 3,062,054 |
| Education & Corporate Parenting | 5,916,289 | 6,065,553 | 149,264 |
| Adult Social Care | 42,402,862 | 42,606,652 | 203,790 |
| Governance, Procurement & Commissioning | 2,820,018 | 2,799,007 | (21,011) |
| Health & Wellbeing | 2,725,666 | 2,826,007 | 100,341 |
| Customer & Neighbourhood Services | 26,088,744 | 25,774,451 | (314,293) |
| Commercial Services | (1,290,560) | (854,760) | 435,800 |
| Corporate Items | 4,355,567 | 5,783,235 | 1,427,668 |
| Total Net Position | 121,066,475 | 122,976,685 | 1,910,210 |
| Funding Variance | | | (455,029) |
| One Off Benefits | | | (1,730,664) |
| Overall Final Outturn | | | (275,483) |

This table shows the position for each service area after the allocation of funds to Council priorities as detailed in section 5 of this report. The figures in the table exclude budgets and variances on asset rentals and pension accounting entries which are "non-controllable" accounting entries. The detailed analysis of all variances is shown in Appendix 2.

4.3 Service variances over £0.100m are highlighted below: -

| Service Area | Variance £m |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| <u>Business, Development & Employment</u> | |
| Property Investment Portfolio – early delivery of Growth Fund investments. | -0.743 |
| Planning – additional income achieved during the year. | -0.158 |
| Contribution to Reserve – to support future investment proposals – approved at Cabinet on 15 November 2018. | +0.724 |
| Contribution to Reserve – further contribution to reserves to support future investment proposals – see Section 5 below | +0.425 |
| <u>Finance & HR</u> | |
| Treasury Management – benefit 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. | -3.161 |
| External Audit Fee – saving from procurement of external audit fee | -0.107 |
| Contribution to Reserves – towards the cost of Phase 2 of Resourcelink, the Council’s payroll and HR system and to meet the cost of posts funded from one-offs. | +0.360 |
| <u>Cooperative Council Team</u> | |
| There are no variations over £100k to report. | |
| <u>Children’s Safeguarding & Family Support</u> | |
| Children in Care Placements – spend during the year was higher than the budget as there was an increasing number of more expensive specialist placements for looked after children with complex and severe behaviours or emotional/health needs over the course of the year. | +2.886 |
| Children and Young People aged 16+ – the overspend relates to a small number of children in care aged 16+ who continue to require a high level of support due to their high level of individual need. | +0.630 |
| | -1.150 |

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| Application of Contingency – earmarked as part of the 2018/19 budget strategy. | |
| <u>Education & Corporate Parenting</u> | |
| School Transport (pre 16) – the overspend relates to a savings target not yet delivered and expenditure has also been impacted by the increase in the numbers of children and young people with high needs. Work is ongoing to reduce costs. | +0.419 |
| Transport (post 16) – there was a significant increase in the costs of transporting post 16 high needs pupils since September 2018. | +0.171 |
| Corporate Parenting – an increase in Pupil Premium Grant allocated to Telford & Wrekin which has funded an element of the costs resulting in an underspend. | -0.165 |
| <u>Adult Social Care</u> | |
| 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 at year end. | +3.063 |
| Income – projected client contributions are higher than budgeted reflecting higher than budgeted costs. | -1.095 |
| Income – projected contributions from Health due to successful negotiations with the CCG and receiving contributions to fund client’s health needs. | -0.605 |
| Income – enablement arising from the Government’s additional winter funding grant | -0.232 |
| Application of Contingency – earmarked as part of the 2018/19 budget strategy. | -0.350 |
| Government Grant – reflects the residual announced “Winter Funding” | -0.590 |
| Community Safeguarding & Social Work – underspend arising from vacant posts | -0.163 |
| Contribution to Reserves –set aside to meet demands on social care, including the cost of staff employed in accordance with the Winter Funding plan agreed with the CCG and to assist the NHS with the timely discharge of patients from hospital. | +0.268 |

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| | |
| <u>Governance, Procurement & Commissioning</u> | |
| Contribution to Reserves – a combination of ICT equipment for elected members following the May 2019 elections; procurement of a Transport IT system; and to support the delivery of future savings. This is funded from underspends within the Service Area. | +0.145 |
| <u>Health & Wellbeing</u> | |
| There are no variations over £100k to report. | |
| <u>Customer & Neighbourhood Services</u> | |
| Environmental Maintenance – core environmental maintenance work required in advance of the new contract service standards from 1 April. Also, additional costs of watering due to the dry summer. The new Grounds and Cleansing contract is performance based and will see improved service standards as well as releasing an annual saving of nearly £700k p.a. | +0.173 |
| Customer Services – additional income from transformational specialist supporting capital schemes. | -0.132 |
| Housing Benefit/Council Tax Support – additional grant income received in respect of Welfare Reforms | -0.265 |
| Housing Benefit/Council Tax Support – contribution to reserves to support the ongoing roll out of Universal Credit and sustain customer contact service levels. | +0.266 |
| Housing Benefit Subsidy – additional income from recovery of overpaid benefits as a result of proactive work undertaken by the Benefits Team. | -0.392 |
| Street Lighting/ Highway Lighting – reduction in electricity costs due to the implementation of the LED efficiency programme across the Borough. | -0.291 |
| Waste – tonnages for green waste, recyclates are higher than last year and higher than budgeted due to housing growth. | +0.182 |
| Highways Procurement – procurement costs associated with new highways contract | +0.141 |

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Transfer to Reserves – to fund essential play area resurfacing in 2019/20 – approved at Cabinet on 15 November 2018. | +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. | +0.121 |
| BiT – Architects & Building – net over achievement of fee income from additional project work | -0.141 |
| BiT – employee costs – to deliver the programme of works; offset by the overachievement of income above. | +0.129 |
| Leisure – income pressures linked to the impact of new competitors entering the market locally together with a reduction in income relating to Arthog Outdoor Education Centre which had some periods of closure during the year for improvements. An action plan is in place to mitigate this pressure as far as possible. | +0.325 |
| Contribution to Reserves – to support homelessness pressures in 2019/20 | +0.175 |
| <u>Corporate</u> | |
| Transfers to Reserves – see section 5 below. | +3.007 |
| One off Benefits during 2018/19 – including a one-off back-dated VAT refund of £2.673m, following a successful claim for VAT relating to the change in VAT regulations for leisure activities, less transfers to reserves approved by Cabinet in February 2019 of £1.673m; and capitalisation of efficiency/transformation spend permitted under statutory guidance. | -1.730 |

4.4 Public Health

Responsibility for Public Health transferred to the Council from the NHS in April 2013 together with the associated specific ring-fenced grant funding. In 2018/19 this grant totalled £12.338m. The conditions of the grant are that it must be used to address health needs and improve health and well-being in the community. Improving public health outcomes is delivered across a number of Service Areas and a summary of the grant in 2018/19 is shown in the table below:

| | |
|-------------------------------------------------|-------------------|
| | £ |
| Public Health Reserve (grant bwfd from 2017/18) | 602,264 |
| Public Health Grant allocation 2018/19 | 12,338,000 |
| Total Funding | 12,940,264 |
| Funding applied during 2018/19 | 12,268,083 |
| Grant carried forward to 2019/20 | 672,181 |

The majority of the 2018/19 grant was allocated to Services during the year, with the exception of £0.289m which was carried forward to 2019/20 to fund known specific one off costs.

Of the £0.602m grant brought forward from 2017/18, £0.219m was applied in 2018/19 leaving £0.383m. Overall, in accordance with Grant Conditions and the treatment of the balance to be carried forward, the grant was fully spent in 2018/19.

4.5 Dedicated Schools Grant (DSG)

The in-year surplus was £0.564m. However, a deficit of £0.544m had been brought forward to 2018/19 from the previous year so a small year end surplus of £0.020m has been carried forward to 2019/20.

The main reason for the in-year underspend was an additional allocation from the Department for Education (DfE) of high needs DSG to local authorities in December 2018. High needs DSG supports provision for pupils in special schools, colleges, specialist residential provisions and pupil referral units. It also funds education, health and care plans (EHCPs) and other services for high needs pupils in mainstream schools. Telford & Wrekin received an additional £418,000 of high needs DSG in December. The additional funds were allocated in the national context of widespread pressure on the high needs block of DSG, with both the number of children and young people with high needs and their complexity increasing year on year, alongside legislative change by national government which has increased costs. The Council has developed a cost improvement plan to address the pressures in high needs and this helped to control the cost pressures in 2018/19.

However, it should be noted the underlying pressures on high needs, noted above, have not gone away. Should a DSG deficit again be incurred, this can only be met from the following years DSG if the Schools Forum (or failing that the Secretary of State for Education) agree to this. The Council has a very constructive relationship with the local Schools Forum and continues to work hard to tackle the high needs pressures in partnership with the Forum, schools and other providers of education.

5.0 **RESERVES & BALANCES**

5.1 The main General and Special Fund balances were £4.807m at 1st April 2018. The position on the main General and Special Fund Balances is now:

| | £m |
|-----------------------------------------------|--------------|
| Balances at 1 st April 2018 | 4.807 |
| Contribution to General Fund Balances | 0.275 |
| Balances at 31st March 2019 | 5.082 |

The General/Special Fund balance forms part of the Council's overall reserves and balances.

5.2 In addition to the General and Special Fund Balances, the Council holds a number of contingencies and service balances available to support services in 2019/20. These include:-

- £0.847m specifically set aside to support Children's Safeguarding & in 2019/20 together with the £0.8m recommended in this report;
- £3.000m general contingency to provide further support to Adults and children's safeguarding or for other services if required.
- £21.3m uncommitted additional balances available to support the medium term strategy

5.3 The following specific transfers to reserves are proposed and included in the outturn position:-

| Service Team | Amount |
|-------------------------------------------------------------------------------------------------------------------|---------------|
| | £ |
| Business, Development & Employment | |
| Contribution to support future investment proposals funded from early delivery of Growth fund investments. | 424,918 |
| Finance | |
| Investment to support the continued roll out and development of Resourcelink, the Council's new payroll/HR system | 300,000 |
| Resources for posts currently funded on a temporary basis | 60,000 |

| Service Team | Amount |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| <p>Cooperative Council</p> <p>Resources required to support the staffing structure in Organisational Development & Delivery in 2019/20</p> | 57,000 |
| <p>Adult Social Care</p> <p>Prevention & Enablement – to deliver an all-purpose environment with built in features to promote independent living and to reduce the costs of care and support needs using modern technology and equipment solutions</p> <p>Winter Pressures Funding – required in accordance with the Winter Funding plan agreed with the CCG</p> | 100,000 268,368 |
| <p>Governance, Procurement & Commissioning</p> <p>Purchase/replacement of member ICT equipment following the May 2019 elections</p> <p>Net income achieved from selling services relating to GDPR; required to support the phased delivery of savings</p> <p>Transport IT System procurement</p> | 37,000 93,650 14,375 |
| <p>Health & Wellbeing</p> <p>Funding for temporary posts</p> <p>Oakengates Theatre – investment required to replace large items of sound and equipment which is at the end of its useful life</p> | 48,908 60,000 |
| <p>Customer & Neighbourhood</p> <p>Benefits – funding to support the ongoing impact of welfare reforms, such as the continued roll out of Universal Credit and sustain call handling performance at an acceptable level.</p> | 266,100 |
| <p>Commercial Services</p> <p>Arthog – committed to funding a replacement van in 2019/20</p> <p>Homelessness – funding to support a number of homelessness pressures</p> | 4,048 175,000 |

| Service Team | Amount |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Council Wide | |
| Neighbourhoods – funding for essential play area works in 2019/20 | 43,000 |
| Highways – funding for unavoidable costs associated with the collapse of a wall in The Gorge | 150,000 |
| Improving customer facilities | 40,000 |
| Asset Management – revenue allocation to meet the cost of surveys, investigation and monitoring relating to higher risk assets | 50,000 |
| Social Worker Pay – One off funding required to fund the transition period to the new Social worker salary grading framework. The new framework has been put in place to address the significant difficulties in recruiting and retaining experienced Social Workers and Senior Social Workers. | 192,000 |
| Library Service – to offset a saving in 19/20 which will be delivered in 2020/21 | 32,000 |
| Children’s Safeguarding – additional contingency for 19/20 | 800,000 |
| Overall Total | 3,216,367 |

5.4 The overall position also includes: £5.273m transfers to reserves approved in the February 2019 financial management report; and £1.7m to the budget strategy reserve to support the medium term service and financial planning strategy in future years and partially mitigate the impact of the considerable funding changes anticipated in 2020/21. The balance of the Public Health ring-fenced grant has also been carried forward to 2019/20 (in line with the grant conditions see section 4.4 above).

As part of the 2019/20 budget process, reserves totalling £16.2m were identified as being available to support the medium term budget strategy. As part of the year end process, these reserves have been consolidated into one budget strategy reserve. Due to the favourable outturn position the budgeted use of balances in 2018/19 was not required and is therefore added to the available balances giving an overall total of £21.3m.

6.0 2017/18 CAPITAL PROGRAMME

6.1 The capital programme for 2018/19 totalled £71.78m; spend at year end was £57.64m giving a year end variation of £14.14m which is summarised in the table below:

| Service Area | Approved Estimate £m | Spend £m | % Spend £m | Year End Variance £m |
|-------------------------------------------|-------------------------|--------------|---------------|-------------------------|
| Adult Social Care | 1.01 | 0.74 | 73% | -0.28 |
| Health & Wellbeing | 0.06 | 0.06 | 80% | -0.00 |
| Development Business & Employment | 22.76 | 16.35 | 72% | -6.41 |
| Customer & Neighbourhood Services | 24.80 | 22.34 | 90% | -2.46 |
| Education & Corporate Parenting | 8.99 | 7.44 | 83% | -1.55 |
| Commercial Services | 9.04 | 7.06 | 78% | -1.98 |
| Governance, Procurement & Commissioning | 0.26 | 0.19 | 71% | -0.07 |
| Cooperative Council & Commercial Delivery | 2.10 | 0.87 | 42% | -1.22 |
| Finance & Human Resources | 2.76 | 2.59 | 94% | -0.17 |
| Total | 71.78 | 57.64 | 80% | -14.14 |

Note: The approved estimate excludes the new allocations, slippage and virements detailed in Appendix 4

6.2 The main scheme re-phasing to future years is shown below with detail included in Appendix 4.

| | £m |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| <u>Adult Social Care</u> | |
| Children's and Adults ICT System (Liquid Logic) rephasing of programme | -0.16 |
| <u>Development, Business & Employment</u> | |
| Property Investment Programme – rephasing of programme including schemes at T54 within the £50m Growth Fund allocation and refurbishment of PIP assets. To be completed during 19/20 | -2.60 |
| Housing Investment – Phase 3 of programme rephased | -0.70 |
| HCA Land Deal – rephasing of spend, mainly site preparation | -0.73 |
| Pride – High Street Challenge and small scale regeneration projects - schemes continue to be delivered in 2019/20 | -1.15 |

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Housing – rephasing of spend, dependent upon third party project delivery | -0.47 |
| <u>Customer & Neighbourhood Services</u> | |
| Safer routes to schools – programme in development through consultation with schools, to be delivered in 19/20 | -0.51 |
| Newport Innovation & Enterprise Package – project ongoing; re-phased to 2019/20 | -1.42 |
| Ironbridge Gorge Stability – works to be delivered as part of a wider programme | -0.34 |
| LED Lighting – re-phased in line with programme delivery | -0.53 |
| <u>Education & Corporate Parenting</u> | |
| Other School Schemes – re-phased to 2019/20 in line with requirements and contractor payment schedules. Including Burton Borough and Ladygrove Primary enhancements | -1.55 |
| <u>Commercial Services</u> | |
| Disabled Facilities Grant – spend re-profiled to 2019/20 | -0.63 |
| Asset management plan, general works and surveys – slippage on the main programme, all fully committed in future years | -0.49 |
| ICT/eGov – spend re-profiled to 2019/20, all fully committed to future years | -0.22 |
| Digital advertising – re-profiled to 2019/20 | -0.26 |
| Leisure capital schemes –including re-profiling of Aspirations equipment at Oakengates Leisure Centre | -0.22 |
| <u>Co-operative Council</u> | |
| Every day Telford, Pride in Your Community – reprofiled and committed to future years | -1.22 |
| <u>Finance & Human Resources</u> | |
| Capitalisation of Efficiency Schemes/Severance costs | -0.17 |

- 6.3 There are a number of new approvals and virements which are also detailed in Appendix 4 and require formal approval.
- 6.4 The funding for the capital programme in 2018/19 included £11m estimated income from capital receipts. The actual income received in year was lower at £8.6m (including £1.2m PIP receipts)– the difference was mainly due to a number of receipts being delayed.
- 6.5 Appendix 5 includes details of Education Section 106 agreements agreed during 2018/19.

7.0 NUPLACE

- 7.1 2018/19 was the fourth year of operation for Nuplace Ltd, the Council's wholly owned housing investment company. The principal activity of which is the procurement of the construction and management of private and affordable residential property for rent. During the year, the company completed sites at Miners Walk, Madeley (53 units), The Oaklands, Dawley (47 units) and Springfields, Newport (33 units). A further 39 units are under development at Coppice Court, Snedshill and are expected to be complete by May 2019, taking the number of properties completed and available to let at 31 March 2019 to 309, (232 properties, 2017/18).

In accordance with the Company's accounting policy, the housing portfolios at Woodland Walk (Madeley), Pool View (Randlay) and Blossom Walk (Hadley) were revalued at the year end, which has resulted in an increase in value of 3.72% (£0.8m) over the three sites.

- 7.2 Nuplace Ltd is a separate legal entity and as such will prepare its own Statement of Accounts and comply with company regulations. The accounts will be audited by Grant Thornton, who also audit the Council's accounts. As Nuplace is wholly owned by Telford & Wrekin Council, the Council is required to prepare Group Accounts as part of its Statement of Accounts for 2018/19 which will consolidate the Council and Nuplace's financial position.
- 7.3 As planned, no dividends were distributed at the end of 2018/19 and the company ended the year with an operating profit before taxation of £0.492m. It should be noted that the Council has received income totalling £1.2m from Nuplace during 2018/19 net of additional interest and other costs which is a combination of interest paid relating to the loan agreement and services Nuplace purchased from the Council. The Council will also benefit from additional Council Tax, and New Homes Bonus as Nuplace properties are completed.

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 total, over £15m more cash was collected in 2018/19 than in 2017/18. NDR collection was above target, but council tax and sales ledger were slightly behind target.

| INCOME COLLECTION – 2018 / 19 | | | | |
|--------------------------------------|---------------|---------------|-----------------------|----------------------------------------------|
| | Actual | Target | Performance | Change in cash collected on last year |
| Council Tax Collection | 97.30% | 97.4% | 0.1% behind target | +£4,184,668 |
| NNDR Collection | 99.05% | 98.70% | 0.35% ahead of target | +£1,346,693 |
| Sales Ledger Outstanding Debt | 8.78% | 6.00% | 2.78% behind target | +£9,787,945 |

8.3 Council Tax (£83.9m)

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.

| Year End Target | Year End Actual | Last year Actual |
|-----------------|-----------------|------------------|
| 97.4% | 97.3% | 97.3% |

Council Tax collection has out-turned in the same position as last year despite being behind target throughout the year. The Revenues Team focused on pro-active debt recovery throughout March to achieve final outcome.

Cash collection increased by £4.1 million compared to the previous year.

8.4 NNDR-Business Rates (£75.7m)

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 98.60%
 Year End Target for 2018/19 98.70%

| Year End Target | Year End Actual | Last year Actual |
|-----------------|-----------------|------------------|
| 98.7% | 99.05% | 98.6% |

Business rates has improved significantly from last year. The Revenues Team were more pro-active during February and March and this had a positive outcome on the year end collection position. Cash collected also increased from the following year by £1.3 million.

8.5 **Sales Ledger (£68.3m)**

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 2017/18 are as follows:

| Age of debt | Annual Target % | March 2019 | |
|-------------|-----------------|------------|-------|
| | | £m | % |
| Total | 6.00 | 5,998 | 8.78% |

Sales ledger is outside of target. But this is solely due to one large invoice which has a long term payment arrangement agreed.

We have collected £9.8 million more than this time last year.

9.0 **2019/20 UPDATE**

The first detailed monitoring report for 2019/20 will be considered at Cabinet in July. However, this section of the report gives an early indication of some emerging issues for the new financial year, informed where relevant, by the closedown position reported above. Inevitably, early focus is on areas of potential pressure and managers are now taking action to seek ways to minimise these pressures and to identify ways to mitigate remaining issues.

9.1 Adult Social Care and Safeguarding & Family Support will continue to be areas requiring close monitoring throughout the year. The key areas of focus being the reduction in residential care solutions where appropriate, the promotion of independence, complexity of care needs, and numbers

of Children in Care. Both services have cost improvement plans to assist in the management of cost levels as well as taking a proactive approach to address future changes in funding.

The 2019/20 budget includes a contingency of £0.847m specifically for Children's Safeguarding. This report is recommending a further £0.8m is set aside to provide additional one-off resources (see section 5 above).

9.2 **Treasury Management**

A benefit of £0.5m is currently predicted in relation to treasury management which is mainly due to reduced borrowing costs due to low short-term interest rates and rephasing of expenditure in to later years from 2018/19 as explained earlier in this report. This may vary throughout the year dependent on borrowing requirements.

10.0 **PREVIOUS MINUTES**

01/03/2018 – Council, Service & Financial Planning Strategy

31/05/2018 - Cabinet, Service & Financial Planning Report – 2017/18 Outturn and 2018/19 Update

01/07/2018 – Cabinet, 2018/19 Financial Management Report

26/07/2018 – Council, 2018/19 Financial Management Report

15/11/2018 – Cabinet, 2018/19 Financial Management Report

22/11/2018 – Council, 2018/19 Financial Management Report

03/01/2019 – Cabinet, 2018/19 Financial Management Report

17/01/2019 – Council, 2018/19 Financial Management Report

14/02/2019 – Cabinet, 2018/19 Financial Management Report

28/02/2019 – Council, 2018/19 Financial Management Report

11.0 **BACKGROUND PAPERS**

2018/19 Budget Strategy and Financial Ledger reports

2019/20 Budget Strategy

2018/19 Financial Management Reports

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