

TELFORD & WREKIN COUNCIL

**CABINET – 10 OCTOBER 2019
COUNCIL – 21 NOVEMBER 2019**

2019/20 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 2019/20 Revenue

The net outturn position for 2019/20 is currently projected to be within budget at year-end after applying funding from the Council's contingency. The centrally held contingency is available to meet funding pressures and any unforeseen costs with any balance remaining at year-end used to support the medium term service and financial planning strategy in future years. The current projection is that just over £2.2m of the contingency will still be available at year-end.

This is a very positive position as £6.1m savings were required to balance the 2019/20 budget and significant pressures are being experienced in a number of service areas. The aim is to reduce the impact of these pressures and improve the overall position further during the remainder of the year.

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

- A benefit of £2.6m relating to Treasury Management activities - the majority of which relates to benefits from low interest rates for short-term borrowing. Some further long-term borrowing has been taken in 2019/20 to reduce future interest rate exposure and the position is regularly monitored by senior finance staff with advice taken from the Council's external treasury management advisors.
- Children's Safeguarding & Family Support is a key pressure area with additional investment of £2.079m required which is mainly due to the cost of placements for Looked after Children. This position is after applying £1.647m one off balances and contingencies, set aside at last year end to support the delivery of the cost improvement plan. A cost

improvement plan is in place which is designed to deliver efficiencies over the remainder of the year and medium term.

- Adult Social Care has a projected overspend of £0.983m which relates to purchasing care packages. A cost improvement plan is in place which is regularly monitored.
- Education & Corporate Parenting is also under pressure with a projected overspend of £0.767m. This is largely due to additional costs for school transport for pupils with high needs. Work to mitigate the pressures is ongoing and there may be further opportunities for additional savings once the current review of Home to school transport is completed. Post 16 transport costs are also under pressure because the Government has extended the entitlement to education for high needs students up to the age of 25. This has led to an extension of some programmes with associated transport costs. Officers are reviewing the provision of all students to ensure that it is appropriate and provides positive progression. Independent travel training programmes will also be offered to a greater number of students where this is appropriate.

The Government announced a one year Spending Round for 2020/21 on 4 September 2019 and confirmed that the implementation of the proposed changes to the local government finance system due in April 2020 will be deferred until April 2021. The headline announcements in the Spending Round for 20/21 are positive, with additional funding announced for Social Care and no reductions to specific grants. However, detailed information at a local authority level won't be available until the Local Government Finance Settlement which is expected in early December so the actual impact on the Council won't be known until then. Considerable uncertainty therefore remains over the medium term with very little information available about the impact that the changes to the finance system will have on the Council. Using the limited information that is available, it is currently anticipated that the Council will need to identify around £25m further savings over the next 2 years (2020/21 – 2021/22) on top of the £123m already delivered to the end of 2019/20 and work to develop the 2020/21 budget strategy is underway.

1.2 **Capital**

The capital programme totals £64.3m which includes all approvals since the budget was set. At the time of compiling this report projected spend was 94.9% of the budget allocation.

There are a number of new allocations, slippage and virements which require approval which are listed in Appendix 3.

1.3 **Corporate Income Collection**

Income collection in relation to Sales Ledger is ahead of target, while collection for Council Tax and Business Rates are slightly behind target.

2.0 **RECOMMENDATIONS**

Cabinet Members are asked to:-

- | | |
|-------|---|
| (i) | Note that 2019/20 revenue spending is currently projected to be within budget and continue to work with SMT to sustain this position; and approve the use of the contingency detailed in section 5. |
| (ii) | Recommend that delegated authority is granted to the Chief Operating Officer/Chief Executive, after consultation with the Cabinet Member for Finance, Commercial Services and the Borough Economy, to agree the use of the Brexit preparation grant allocated to the Council as detailed in section 5.2 . |
| (iii) | Note the position in relation to capital spend and recommend that Full Council approve the changes to the capital programme detailed in Appendix 3. |
| (iv) | 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 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 2019/20 at 31/3/20.	
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.
IMPACT ON SPECIFIC WARDS	No	

PART B) – ADDITIONAL INFORMATION

4.0 2019/20 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 main changes since the last report are shown in the table below:

Variations - £m	Cabinet 11/07/19	Change	Current Projected Variation
Finance & HR - additional benefits from active Treasury Management	-2.000	-0.600	-2.600
Children's Safeguarding & Family Support – increased costs of providing care, mainly associated with young people over 16 and staffing costs	+1.599	+0.480	+2.079
Adult Social Care – increased cost of care packages	+0.492	+0.491	+0.983
Other variances (detailed in Appendix 2)	+0.882	+0.058	+0.940
Total Projected Variation	+0.973	+0.429	+1.402
Use of Contingency	-0.973	-0.429	-1.402
Final Projected Variation	0.000	0.000	0.000

4.3 The overall 2019/20 budget position is summarised in the table below:

Service Area	Net Revenue Budget £'000	Variation Cabinet 11/07/19 £'000	Movement £'000	Current Variation £'000	Variation as a % of Budget %
Business, Development & Employment	(1,597)	0	0	0	0.0%
Finance & HR	3,285	(2,100)	(656)	(2,756)	-83.9%
Cooperative Council Team	1,357	0	(157)	(157)	-11.6%
Children's Safeguarding & Family Support	30,896	1,598	481	2,079	6.7%
Education & Corporate Parenting	10,853	673	94	767	7.0%
Adult Social Care	42,730	492	491	983	2.3%
Governance, Procurement & Commissioning	2,759	115	91	206	7.4%
Health & Wellbeing	2,052	0	(59)	(59)	-2.9%
Customer & Neighbourhood Services	29,667	(164)	(58)	(222)	-0.7%
Commercial & Housing Services*	2,479	433	162	595	24.0%
Council Wide	(3,068)	(74)	40	(34)	1.1%
Total	121,413	973	429	1,402	1.2%
Use of Contingency	0	(973)	(429)	(1,402)	
Overall Total	121,413	0	0	0	

*this Service Area covers a range of services including non-commercial services such as homelessness, housing and ICT. The gross budget totals £40.9m and the overspend therefore represents just 1.1% of this.

4.4 Projected variances over £0.250m are highlighted below, other variances are detailed in Appendix 2.

Service Area	Variance £m
<u>Finance & HR</u>	
Treasury Management – the majority relates to benefits from low interest rates for short-term borrowing.	-2.600
<u>Children's Safeguarding & Family Support</u>	
Children In Care Placements – This position is based on the assumption that the majority of current placements continue until the end of the financial year. The number of children in care has stabilised in recent months.	+1.889
16+ Children in Care – costs associated with young people over 16 increased significantly in 2018/19 as a result of a small number of high cost cases. The full year impact of this is included in the 2019/20 projections.	+0.351
Staffing – Recruitment has been challenging which has resulted in a projected underspend. However, in some cases vacancies have to be covered by agency appointments which gives rise to an overall pressure on staffing budgets.	+0.654
Use of Contingency - £0.800m from reserves set aside at the end of 2018/19 and £0.847m contingency budget to	-1.647

<p>address cost pressures in Children’s Safeguarding & Family Support approved as part of the 2019/20 budget strategy.</p>	
<p><u>Education & Corporate Parenting</u></p> <p>School Transport – the majority of expenditure on home to school transport is in relation to transport for pupils with high needs which is putting pressure on the transport budget. Work to mitigate the pressures is ongoing and there may be further opportunities for additional savings once the current review of Home to school transport is completed.</p> <p>Post 16 Transport – there was a significant increase in the costs of transporting post 16 high need pupils from September 2018. In 2019/20 the full year transport costs of these young people will be incurred. This is because the Government has extended the entitlement to education for high needs students up to the age of 25. This has led to an extension of some programmes with associated transport costs. Officers are reviewing the provision of all students to ensure that it is appropriate and provides positive progression. Independent travel training programmes will also be offered to a greater number of students where this is appropriate.</p>	<p>+0.464</p> <p>+0.275</p>
<p><u>Adult Social Care</u></p> <p>Purchasing, Long Term Care – the variation is currently being investigated. The volume of care purchased is higher than assumed activity rates.</p> <p>Purchasing, Short Term Reablement care - delivered through the Better Care Fund; pressure relating to the efficient discharge of patients from hospital and hospital avoidance</p> <p>Income – additional client contributions received as a result of the increased volume of care shown above.</p>	<p>+2.346</p> <p>+0.457</p> <p>-0.831</p>
<p><u>Commercial & Housing Services</u></p> <p>Leisure Operations – despite the income pressures linked to the impact of new competitors entering the gym market locally, Aspirations is still projecting to generate £1.5m income in 2019/20. An action plan is in place to mitigate this pressure which represents 1.1% of the total Service Area gross budget of £40.9m.</p>	<p>+0.438</p>

5.0 **CONTINGENCIES**

- 5.1 The 2019/20 budget includes a prudent general contingency of £3.7m, 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 £1.2m 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 reductions 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	3.748
Inflation Contingency	1.234
Total Contingencies	4.982
Approved Uses	-0.400
Proposed Use:	
Additional contract inflation allocation	-0.130
Independent review of Members Allowances as approved at full Council September 2019	-0.123
CSE Inquiry allocation	-0.650
Commitments:	
Required to meet the current projected pressures	-1.402
Residual Balance	2.277

The current revenue position is projected to be £1.402m over budget at year-end, which together with the proposed uses leaves £2.277m available to meet any unforeseen costs for the remainder of the year.

5.2 **Additional Funding for Brexit**

The Council has been allocated a total of £0.315m for Brexit preparation from the Ministry of Housing, Communities & Local Government. Use of this funding will need to be approved in accordance with the Council's Financial Regulations and a delegation to the Council's Chief Operating Officer/Chief Executive after consultation with the Cabinet Member for Finance, Commercial Services and the Borough Economy is therefore sought in this report to ensure that decisions can be taken promptly. However,

currently few specific potential calls on this funding have been identified and it will be retained centrally until additional costs are evident.

6.0 CAPITAL

6.1 2019/20 Capital Programme

The capital programme totals £64.32m, 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 £61.04m.

Service Area	Current Budget	Spend to Date	% Spend	Year End Projection
	£m	£m		£m
Development Business & Employment	23.70	1.77	7.49%	22.52
Customer & Neighbourhood Services	21.01	2.72	12.96%	20.58
Education & Corporate Parenting	7.40	2.29	30.93%	7.40
Adult Social Care	0.35	0.05	14.01%	0.35
Cooperative Council	0.93	0.12	12.95%	0.93
Governance Procurement & Commissioning	0.14	0.00	0.00%	0.14
Finance & Human Resources	2.27	0.10	4.19%	2.10
Commercial Services & Housing Services	8.52	1.97	23.15%	7.02
Total	64.32	9.02	14.0%	61.04

6.2 Some changes to the capital programme are required: slippage, new allocations and virements. These are detailed in Appendix 3.

6.3 The 2019/20 capital programme relies on £4.492m of receipts as part of its funding (after adjusting for known changes). Capital receipts included in the medium term budget strategy are under continual review and any changes will be reflected in future budget projections but are currently projected to be on target.

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 is above target, but council tax and NNDR collection is slightly behind target. 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 – Aug 2019			
	Actual	Target	Performance
Council Tax Collection	45.85%	46.58%	0.73% behind target
NNDR Collection	49.57%	49.83%	0.26% behind target
Sales Ledger Outstanding Debt	4.56%	4.70%	0.14% inside target

7.3 Council Tax (£88.6m)

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 2018/19	97.3%
Year End Target for 2019/20	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
46.58%	45.85%	46.33%

Collection rates for council tax are behind target by 0.73%, and are 0.48% behind this point last year. Taxpayers in receipt of CTS are 0.35% behind collection compared to this point last year.

7.4 NNDR-Business Rates (£78.2m)

The % of business rates for 2019/20 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 2018/19	99.05%
Year End Target for 2019/20	99.05%

Month End Target	Month End Actual	Last year Actual
49.83%	49.57%	49.83%

Business rate collection is slightly behind target.

7.5 Sales Ledger (£61.3m)

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 2019/20 are as follows:

Age of debt	Annual Target %	Aug 2019	
		£m	%
Total	4.70	2,795	4.56%

Sales ledger performance is within target. Work continues on focusing on outstanding ASC debt and attempting to engage with clients regards debt.

8.0 PREVIOUS MINUTES

28/02/2019 – Council, Service & Financial Planning Strategy

30/05/2019 - Cabinet, Service & Financial Planning Report – 2018/19 Outturn and 2019/20 Update

11/07/2019 – Cabinet, 2019/20 Financial Management Report

25/07/2019 – Council, 2019/20 Financial Management Report

9.0 BACKGROUND PAPERS

2019/20 Budget Strategy / Financial Ledger reports

2019/20 Service & Financial Planning Report

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