

**TELFORD & WREKIN COUNCIL**

**CABINET – 2 JANUARY 2020  
COUNCIL – 23 JANUARY 2020**

**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 £2.0m of the contingency will still be available at year-end, a reduction of £0.3m since the last report mainly due to increased pressures in Children's Safeguarding.

This is still 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 last quarter 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 £3.1m relating to Treasury Management activities - the majority of which relates to benefits from low interest rates for short-term borrowing. The PWLB (currently the main source of long-term lending for Local Authorities) increased interest rates by 100 basis points in October and the associated impact has been built into the budget strategy going forward. In the remainder of 2019/20 we will aim to use temporary borrowing where possible to the minimise the in-year impact. Fortunately, further long-term borrowing was taken in 2019/20 prior to the interest rate change to lock in to the very low rates available at the time and to reduce future interest rate exposure. 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 £3.072m required, an increase of £0.993m since the last report, 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 requiring an investment of £1.041m, a small increase of £0.058m since the last report, 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 £0.478m, a reduction of £0.289m since the last report. 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 funding outlook for the medium term remains very uncertain, with the Government proposing major changes to the local government finance system which are scheduled to be implemented in April 2021. The 2020/21 Service & Financial Planning Strategy is a separate report on the Cabinet agenda and provides more detail on the medium term position.

## 1.2 **Capital**

The capital programme totals £53.1m for 2019/20 which includes all approvals since the budget was set. At the time of compiling this report projected spend was 95.5% 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 and Business Rates are ahead of target, while collection for Council Tax is slightly behind target.

## 2.0 **RECOMMENDATIONS**

Members are asked to:-

- |       |  |
|-------|--|
| (i)   | Note that 2019/20 revenue spending is currently projected to be within budget and that SMT will continue to work to sustain this position          |
| (ii)  | Note the position in relation to capital spend and recommend that Full Council approve the changes to the capital programme detailed in Appendix 3 |
| (iii) | Note the collection rates for NNDR, council tax and sales ledger.  |

## 3.0 **SUMMARY IMPACT ASSESSMENT**

<b>COMMUNITY IMPACT</b>	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	
<b>TARGET COMPLETION/DELIVERY DATE</b>	To outturn within the budget set for 2019/20 at 31/3/20.	
<b>FINANCIAL/VALUE FOR MONEY IMPACT</b>	Yes	The financial impacts are detailed throughout the report.
<b>LEGAL ISSUES</b>	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.
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>	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.
<b>IMPACT ON SPECIFIC WARDS</b>	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:

<b>Variations - £m</b>	<b>Cabinet 10/10/19</b>	<b>Change</b>	<b>Current Projected Variation</b>
Finance & HR - additional benefits from active Treasury Management	-2.600	-0.500	-3.100
Children's Safeguarding & Family Support – increased costs of providing care, mainly associated with young people over 16 and staffing costs	+2.078	+0.994	+3.072
Education & Corporate Parenting – overspends relate to school transport/post 16 transport costs.	+0.767	-0.289	+0.478
Other variances (detailed in Appendix 2)	+1.156	+0.069	+1.225
<b>Total Projected Variation</b>	<b>+1.401</b>	<b>+0.274</b>	<b>+1.675</b>
Use of Contingency	-1.401	-0.274	-1.675
<b>Final Projected Variation</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

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

Service Area	Net Revenue Budget	Variation Cabinet 10 Oct 2019	Movement	Current Variation	Variation as a % of Net Revenue Budget
	£'000	£'000	£'000	£'000	%
Business, Development & Employment	(1,597)	0	0	0	0.0%
Finance & HR	3,285	(2,756)	(566)	(3,322)	-101.1%
Cooperative Council Team	1,081	(157)	0	(157)	-14.6%
Children's Safeguarding & Family Support	30,941	2,078	993	3,071	9.9%
Education & Corporate Parenting	10,876	767	(289)	478	4.3%
Adult Social Care	42,738	983	58	1,041	2.4%
Governance, Procurement & Commissioning	2,760	206	(52)	154	5.5%
Health & Wellbeing	2,328	(59)	(39)	(98)	-4.2%
Customer & Neighbourhood Services	29,745	(222)	(26)	(248)	-0.8%
Commercial & Housing Services*	2,529	595	118	713	28.2%
Council Wide	(3,273)	(34)	77	43	-1.3%
<b>Total</b>	<b>121,413</b>	<b>1,401</b>	<b>274</b>	<b>1,675</b>	<b>1.4%</b>
<b>Use of Contingency</b>		<b>(1,401)</b>	<b>(274)</b>	<b>(1,675)</b>	
<b>Overall Total</b>	<b>121,413</b>	<b>0</b>	<b>0</b>	<b>0</b>	

\* 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 1.7% of this.

4.4 Projected variances over £0.250m are highlighted below, all other variances over £50k are detailed in Appendix 2.

Service Area	Variance £m
<b><u>Finance &amp; HR</u></b>	
<b>Treasury Management</b> – the majority relates to benefits from low interest rates for short-term borrowing.	-3.100
<b><u>Children's Safeguarding &amp; Family Support</u></b>	
<b>Children In Care Placements</b> – 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 although there have been a number of cases in which the child's placement has become more expensive and a parent-baby assessment in the last month which has resulted in the projected expenditure increasing since the last report.	+2.632

<p><b>16+ Children in Care</b> – 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.</p> <p><b>Staffing</b> – 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.</p> <p><b>Children with Disabilities</b> – the overall cost of direct payments is projected to exceed the budget, however direct payments reduce the need for more expensive care packages.</p> <p><b>Use of Contingency</b> - £0.800m from reserves set aside at the end of 2018/19 and £0.847m contingency budget to address cost pressures in Children’s Safeguarding &amp; Family Support approved as part of the 2019/20 budget strategy.</p>	<p>+0.369</p> <p>+0.697</p> <p>+0.306</p> <p>-1.647</p>
<p><b><u>Education &amp; Corporate Parenting</u></b></p> <p><b>School Transport</b> – 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>+0.371</p>
<p><b><u>Adult Social Care</u></b></p> <p><b>Purchasing, Long Term Care</b> – the variation is currently being investigated. The volume of care purchased is higher than assumed activity rates.</p> <p><b>Purchasing, Short Term Reablement care</b> - delivered through the Better Care Fund; pressure relating to the efficient discharge of patients from hospital and hospital avoidance.</p> <p><b>Income</b> – additional client contributions received as a result of the increased volume of care shown above.</p> <p><b>Contribution from Reserves</b> – one off funding to meet Council share of pressure on short term reablement provision</p>	<p>+2.724</p> <p>+0.668</p> <p>-1.395</p> <p>-0.334</p>

<b><u>Customer &amp; Neighbourhood Services</u></b>	
<b>TWS Contract</b> – final profit share payment received	-0.496
<b>Transfer to Reserves</b> – transfer of above profit-share to meet the cost of subsidised bus routes in 2020/21	+0.496
<b>Flood Barriers</b> – the Service has also met £40k costs relating to the deployment of the flood barriers during October/November for which there is no budget.	
<b><u>Commercial &amp; Housing Services</u></b>	
<b>Leisure Operations</b> – 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.	+0.438

## 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:

	<b>£'000</b>
General Revenue Contingency	3.748
Inflation Contingency	1.234
<b>Total Contingencies</b>	<b>4.982</b>
<b>Approved Uses</b>	-1.303
<b>Commitments:</b>	
Required to meet the current projected pressures	-1.675
<b>Residual Balance</b>	<b>2.004</b>

The current revenue position is projected to be £1.675m over budget at year-end, which together with the approved uses leaves £2.004m available to meet any unforeseen costs for the remainder of the year.

## **6.0 CAPITAL**

### **6.1 2019/20 Capital Programme**

The capital programme totals £53.12m, 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 £50.72m.

Service Area	Current Budget	Spend to Date	% Spend	Year End Projection
	£m	£m		£m
Development Business & Employment	15.71	4.53	28.87%	14.23
Customer & Neighbourhood Services	19.23	8.76	45.53%	19.09
Education & Corporate Parenting	7.34	4.52	61.51%	7.34
Adult Social Care	0.35	0.09	25.37%	0.35
Cooperative Council	0.90	0.22	24.90%	0.90
Governance Procurement & Commissioning	0.14	0.00	0.00%	0.14
Finance & Human Resources	2.27	0.19	8.43%	2.10
Commercial Services	7.18	3.76	52.27%	6.57
<b>Total</b>	<b>53.12</b>	<b>22.07</b>	<b>41.5%</b>	<b>50.72</b>

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 £3.342m 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 and NNDR collection are above target, but council tax 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 revaluation.

<b>Income Collection – November 2019</b>			
	<b>Actual</b>	<b>Target</b>	<b>Performance</b>
Council Tax Collection	72.92%	73.70%	0.78% behind target
NNDR Collection	74.30%	74.17%	0.13% ahead of target
Sales Ledger Outstanding Debt	4.67%	4.70%	0.03% inside target

### 7.3 Council Tax (£89.2m)

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 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
73.70%	72.92%	73.43%

Collection rates for council tax are behind target by 0.78%, and are 0.51% behind this point last year, which has followed a similar trend all year. We have however collected almost £3.5m more than this point last year.

### 7.4 NNDR-Business Rates (£77.8m)

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
74.17%	74.30%	74.30%

Business rate collection is slightly ahead of target and we have collected £1.3m more than this time last year.

#### 7.5 **Sales Ledger (£60.3m)**

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 %	Nov 2019	
		£m	%
Total	4.70	2.817	4.67%

Sales ledger performance is within target. Work continues on focusing on outstanding ASC debt until the end of the calendar year.

#### 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  
10/10/2019 – Cabinet, 2019/20 Financial Management Report

#### 9.0 **BACKGROUND PAPERS**

2019/20 Budget Strategy / Financial Ledger reports  
2019/20 Service & Financial Planning Report

#### **Report Prepared by:**

Ken Clarke, Assistant Director: Finance & HR (Chief Financial Officer)  
– 01952 383100;  
Pauline Harris, Corporate Finance Manager – 01952 383701