

**TELFORD & WREKIN COUNCIL**

**CABINET – 9 JULY 2020  
COUNCIL – 16 JULY 2020**

**2020/21 FINANCIAL MONITORING REPORT**

**REPORT OF THE DIRECTOR: FINANCE & H.R. (CHIEF FINANCIAL OFFICER)**

**LEAD CABINET MEMBER: CLLR R C EVANS**

**PART A) – SUMMARY REPORT**

**1.0 SUMMARY OF KEY ISSUES**

**1.1 2020/21 Revenue**

The coronavirus pandemic (Covid-19) is having a huge impact across the whole country. The UK went into full-scale lockdown on March 23 in an unprecedented step to attempt to limit the spread of the disease. The easing of lockdown commenced in May as part of the phased approach being adopted by Government. Pre-empting lockdown, in early March, the Council immediately moved into an emergency response mode and has responded quickly to safeguard its community and employees. In line with Government guidance, a number of council services and buildings were closed to the public including the main Council Offices, the Theatre, all Leisure Facilities and Libraries.

As anticipated, the Council is facing extreme financial pressures as a result of Covid-19. Pressures include increased costs, particularly relating to the provision of Social Care and safeguarding the most vulnerable in our community; the purchase of essential personal, protective equipment; income shortfalls relating to closed facilities and services; and projected income shortfalls in relation to Council Tax and Non Domestic Rates which are key funding streams for the Council.

While the Government has provided some initial grant funding (the Council has received £10.1m of the £3.2bn National Emergency Response Funding), the projected pressure is currently estimated to be around £20.7m. It is also inevitable that the economy and local community will take time to recover and pressures are likely to continue into future years.

The projected service pressure is £20.7m in 2020/21. Adding the £8m anticipated funding shortfalls relating to business rates and council tax (which will result in a deficit balance carried forward to next year on the

collection funds) takes the total pressure to £28.7m against which the £10.1m Emergency Response Grant will be applied leaving a residual pressure of £18.6m. This is prior to using any of the budget contingency, part of which could be released towards the shortfall, although it would be prudent to retain part of this for any unforeseen costs in the remainder of the year.

| <b>Summary</b>  | <b>£m</b>   |
|---|-------------|
| Projected total pressure on service budgets               | 20.7        |
| add shortfalls relating to business rates and council tax | 8.0         |
| <b>Total pressure</b>                                     | <b>28.7</b> |
| Grant   | (10.1)      |
| <b>Net Pressure</b>                                       | <b>18.6</b> |

Work is ongoing to refine and update the pressures and identify mitigating actions. This will feed into a Mid-Year 2020/21 Service & Financial Planning Strategy to be presented to Cabinet at a future meeting.

There are a number of variations from the approved budget. As expected the majority of these relate to Covid-19:

|   |         |
|---|---------|
| Children's Safeguarding & Family Support – Children in Care Placement costs, such as additional children with complex needs coming into care and increased placement fees | £2.400m |
| Education & Skills – additional home to school transport costs (pre and post 16)  | £0.384m |
| Adult Social Care – increased costs to support care providers and clients   | £3.978m |
| Adult Social Care – costs of short term reablement care   | £0.500m |
| Waste collection and treatment  | £0.464m |
| Purchase of essential Personal, Protective Equipment  | £0.431m |
| Housing Benefit – impact of suspending the recovery of overpayments   | £0.500m |
| Homelessness prevention costs   | £0.479m |
| Income losses, such as  |         |
| - Property Investment Portfolio - rental income shortfalls  | £2.129m |
| - Leisure income  | £2.837m |
| - Theatre   | £0.595m |
| - Car parking income  | £0.317m |
| - Catering income   | £0.429m |
| - BIT fees  | £0.459m |
| - Planning Fees   | £0.400m |
| - Arthog  | £0.355m |

The Council is now transitioning from emergency response to a recovery, reform and reset phase and a Recovery Coordinating Group

has been established to manage this. There are six thematic programmes of activity linked to the borough's overall recovery. A wide range of representatives will be brought together to support the delivery of longer term recovery, reform and reset. Moving forward, the economic and social landscape will be fundamentally different and our focus will be on the opportunity to reform, re-imagine and re-invent. It will be important to take a long term view, building confidence and ensuring that programmes and projects to improve the Borough and quality of life of residents continue and develop further. Key to recovery will be working with our communities and working with businesses, partners and employees.

As well as the impact of Covid-19, the funding outlook for the medium term is still very uncertain due to the impact of the major changes to the Local Government Finance System now being deferred and funding levels for 2021/22 still being unclear. Whilst another Government one year "spending round" is now expected rather than a medium-term Comprehensive Spending Review, this is unlikely to be announced until the autumn meaning that it is likely to be very late in this calendar year before we receive our provisional funding settlement for next year. It is clear, however, that the financial climate ahead will still be one of significant financial challenge over the medium-term.

## 1.2 **Capital**

The capital programme totals £94m for 2020/21 which includes all approvals since the budget was set. At the time of compiling this report projected spend was 78.4% of the budget allocation. Historically spend is geared towards the end of the year; the impact of Covid-19 will be closely monitored and projections updated as more information becomes available.

## 1.3 **Corporate Income Collection**

As anticipated, Covid-19 has impacted significantly on collection rates with income collected in relation to Business Rates, Council Tax and Sales Ledger all currently behind the targets set. As part of the range of support provided to residents and businesses, debt recovery action was suspended in March 2020.

Council Tax - it is currently estimated that collection will be significantly lower in 2020/21 than previous years. 10,500 taxpayers also took the opportunity of deferred payment arrangements for April and May.

Business Rates – the total amount to be collected has reduced by almost £30m as a result of the Government providing a 1 year 100% business rates discount to the retail, hospitality and leisure sectors (the Council will be compensated for this). It is estimated that collection will be significantly lower on the balance to be collected in 2020/21 as businesses have been severely impacted by Covid-19. The Council was quick to establish processes for awarding grants under the Government support scheme and was amongst the top performing

authorities nationally in distributing grants to businesses quickly. To date, over £28m grants have been paid to over 2,300 businesses.

In total, the loss from Council Tax and Business Rates income is expected to be in excess of £8m in 2020/21. This impacts on cash flow in 2020/21 and the budget in 2021/22 as it falls on the collection fund as a deficit. The position will be closely monitored as lockdown eases and the economy tentatively moves into recovery.

## 2.0 **RECOMMENDATIONS**

Members are asked to:-

- (i) Note the 2020/21 revenue budget position which has been significantly impacted by the Covid-19 pandemic
- (ii) Recommend that Full Council approve the following delegation to the Director: Finance & HR after consultation with the Cabinet Member for Council Finance & Governance :- authority to make changes to the Service & Financial Planning Strategy to reflect Covid-19 grants received and any associated spend
- (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**

|  |  |   |
|--|--|---|
| <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 2020/21 at 31/3/21.                   |   |
| <b>FINANCIAL/VALUE FOR</b>             | Yes  | The financial impacts are detailed  |

|   |    |  |
|---|----|--|
| <b>MONEY IMPACT</b>                             |    | 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, which includes a separate Covid-19 risk register which is reviewed and updated regularly by Senior Management Team. A Recovery Coordinating Group has been established to manage the transition from Covid-19 emergency response to a recovery, reform and reset phase and financial management is a key component of this with the s.151 officer represented on all thematic groups. |
| <b>IMPACT ON SPECIFIC WARDS</b>                 | No |  |

## **PART B) – ADDITIONAL INFORMATION**

### **4.0 2020/21 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 in previous years, 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 overall 2020/21 budget position is summarised in the table below:

| Service Area                                | Net Revenue Budget<br>£'000 | CV-19 Variations<br>£'000 | Other Variations<br>£'000 | Total Current Variations<br>£'000 |
|---|-----------------------------|---------------------------|---------------------------|-----------------------------------|
| Prosperity & Investment                     | (4,573)                     | 3,375                     | 9                         | 3,384                             |
| Finance & Resources                         | 3,297                       | 373                       | (137)                     | 236                               |
| Policy & Governance                         | 705                         | 185                       | 0                         | 185                               |
| Children's Safeguarding & Family Support    | 36,272                      | 3,435                     | 367                       | 3,802                             |
| Education & Skills                          | 12,636                      | 1,148                     | 202                       | 1,350                             |
| Adult Social Care                           | 45,566                      | 5,249                     | 314                       | 5,563                             |
| Health, Wellbeing & Commissioning           | 3,968                       | 617                       | (25)                      | 592                               |
| Neighbourhood & Enforcement Services        | 29,944                      | 714                       | (229)                     | 485                               |
| Communities, Customer & Commercial Services | 3,300                       | 4,864                     | (200)                     | 4,664                             |
| Housing, Employment & Infrastructure        | 1,816                       | 570                       | 0                         | 570                               |
| Corporate Communications                    | 21                          | 12                        | 17                        | 30                                |
| Council Wide                                | (3,977)                     | (124)                     | 0                         | (124)                             |
| <b>Overall Total</b>                        | <b>128,975</b>              | <b>20,418</b>             | <b>318</b>                | <b>20,737</b>                     |
| MoHCLG Grant                                |                             | <b>(10,144)</b>           |                           | <b>(10,144)</b>                   |
| <b>Total after Grant</b>                    | <b>128,975</b>              | <b>10,274</b>             | <b>318</b>                | <b>10,593</b>                     |
| Council Tax/Business Rates impact           |                             | 8,037                     |                           | 8,037                             |
| <b>Total including Council Tax and NDR</b>  | <b>128,975</b>              | <b>18,311</b>             | <b>318</b>                | <b>18,630</b>                     |

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

| Service Area   | Variance £m |
|--|-------------|
| <b><u>Property &amp; Investment</u></b>  |             |
| <b>Property Investment Portfolio</b> – shortfall in rental income due to Covid-19. More information will be available when the first quarter rent position is known and the monitoring will be updated to reflect this in the next report.         | +2.129      |
| <b>Car Parks</b> – income shortfall as a result of Covid-19 closures   | +0.317      |
| <b>BIT Team</b> – shortfall in fee income mainly due to school closures and project slippage. There may be opportunities later in the year to pull back some of the shortfall, depending on the easing of lock-down and availability of resources. | +0.459      |
| <b>Planning Fees</b> – estimated impact of slow-down in planning fee applications due to Covid-19  | +0.400      |

|  |        |
|--|--------|
| <b><u>Children's Safeguarding &amp; Family Support</u></b>   |        |
| <b>Children In Care Placements</b> – the number of residential placements has fallen over the past year, although the average cost of placements has risen. The strategy of increasing internal fostering has led to lower numbers and costs in external placements and overall there is a positive trend in relation to the cost of placements. However, the additional placements costs connected to Covid-19 as children with complex needs come into care as a result of pressure on families. | +1.800 |
| <b>16+ Children in Care</b> – the number of young people aged 16 or over who need significant support has increased; there is also a 3 month delay in stepping down young people turning 18 from existing placements due to Covid-19.  | +0.554 |
| <b>Staffing</b> – vacancies have to be covered by agency appointments which gives rise to an overall pressure on staffing budgets. As newly qualified social workers gain experience the need for additional agency staff should reduce as they can increase their caseload. Additional costs relating to Covid-19 reflect anticipated increase in demand.   | +0.847 |
| <b>Contribution from Reserves</b> – funding through the corporate Invest to Save Fund.   | -0.305 |
| <b><u>Education &amp; Skills</u></b>   |        |
| Arthog – challenging income targets together with the impact of Covid-19 which has prevented income generation which has extended into the Summer term. Further losses are likely is social distancing continues.  | +0.506 |
| <b><u>Adult Social Care</u></b>  |        |
| <b>Purchasing, Long Term Care</b> – support provided to care providers and clients due to Covid-19 and anticipated pressures on levels of care needed.   | +5.181 |
| <b>Purchasing, Short Term Reablement care</b> – anticipated pressures during the year; £1.9m relates to contracts procured and reimbursed by the CCG for Covid-19 discharges.  | +2.982 |
| <b>Income</b> – including £1.9m from the CCG for the costs of block beds and other enablement pressures.   | -2.220 |
| <b>Income</b> – NHS Contributions to offset care package costs where the client has health care needs.   | -0.316 |

|   |        |
|---|--------|
| <b>Operational Locality Teams</b> – underspend due to vacancies and reduced system costs  | -0.290 |
| <b><u>Health, Wellbeing &amp; Commissioning</u></b>   |        |
| <b>Personal Protective Equipment</b> – costs of purchasing PPE as a result of Covid-19  | +0.430 |
| <b><u>Neighbourhood &amp; Enforcement Services</u></b>  |        |
| <b>Waste Collection &amp; Disposal</b> – increased tonnage levels and additional vehicle and staffing costs due to Covid-19, offset by penalty income to be received relating to 2019/20. | +0.329 |
| <b><u>Communities, Customer &amp; Commercial Services</u></b>   |        |
| <b>Leisure Operations</b> – loss of budgeted income relating to closures required due to Covid-19.  | +2.837 |
| <b>Catering</b> – loss of income due to Covid-19 closures.  | +0.429 |
| <b>Theatre</b> – loss of income due to Covid-19 closure   | +0.594 |
| <b>Housing Benefit Subsidy</b> – impact of suspending recovery  | +0.500 |
| <b><u>Housing, Employment &amp; Infrastructure</u></b>  |        |
| <b>Homelessness</b> – costs associated with preventing homelessness during the Covid-19 pandemic.   | +0.479 |

## 5.0 **CONTINGENCIES**

- 5.1 The 2020/21 budget includes a general contingency of around 3.25% of net budget, 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. Clearly it is still very early in the financial year and many other challenges are likely to arise for the Council during the remaining months of 2020/21, it would not therefore be prudent to allocate the contingency at this early point in the year. There is also an amount held centrally for contractual inflation totalling just under £1m which forms part of the approved revenue budget and will only be allocated to specific budgets when the relevant inflation information is available. The Council also has General and Special Fund Balances and some balances earmarked to support the medium term strategy. A measured approach to using balances will be adopted to protect future financial sustainability and this will be reflected in the Mid-Year Budget Strategy.



## 6.0 CAPITAL

### 6.1 2020/21 Capital Programme

The capital programme totals £94.03m, which includes the approvals proposed in this report. The financial position is shown in the table below which shows projected spend is currently at £73.7m.

| Service Area                         | Current Budget | Spend to Date | % Spend    | Year End Projection |
|--------------------------------------|----------------|---------------|------------|---------------------|
|                                      | £m             | £m            |            | £m                  |
| Prosperity & Investment              | 39.32          | 0.85          | 2.17%      | 23.23               |
| Policy & Governance                  | 0.09           | -             | 0.00%      | 0.06                |
| Education & Skills                   | 10.14          | 0.55          | 5.39%      | 10.14               |
| Adult Social Care                    | 0.24           | -             | 0.00%      | 0.24                |
| Health, Wellbeing & Commissioning    | 0.07           | -             | 0.00%      | 0.07                |
| Neighbourhood & Enforcement Services | 30.04          | 1.35          | 4.49%      | 30.04               |
| Communities, Customer & Commercial   | 4.04           | 0.11          | 2.71%      | 2.90                |
| Housing, Employment & Infrastructure | 7.21           | 0.28          | 3.82%      | 4.96                |
| Corporate Items                      | 2.88           | -             | 0.00%      | 2.10                |
|                                      | <b>94.03</b>   | <b>3.13</b>   | <b>3.3</b> | <b>73.73</b>        |

6.2 The 2020/21 capital programme relies on £8.991m 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. The three main areas are Council Tax, NNDR (business rates) and Sales Ledger. Current monitoring information relating to these is provided below. Under normal circumstances, 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, all areas are slightly behind target.

| <b>INCOME COLLECTION – May 2020</b> |               |               |                      |
|-------------------------------------|---------------|---------------|----------------------|
|                                     | <b>Actual</b> | <b>Target</b> | <b>Performance</b>   |
| Council Tax Collection              | 16.34%        | 17.98%        | 1.64% behind target  |
| NNDR Collection                     | 14.11%        | 21.43%        | 7.32% behind target  |
| Sales Ledger Outstanding Debt       | 7.43%         | 4.70%         | 2.73% outside target |

### 7.3 Council Tax (£92.5m)

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 2019/20 | 97.03% |
| Year End Target for 2020/21  | 91.21% |

Performance is cumulative during the year and expressed against the complete year's debit.

| Month End Target | Month End Actual | Last year Actual |
|------------------|------------------|------------------|
| 17.98%           | 16.34%           | 19.13%           |

Recovery was suspended in March 2020 due to the COVID 19 pandemic. Deferred payment arrangements were offered and 10,500 taxpayers took this opportunity. The lower collection rates are therefore partly attributable to the later instalments which will begin in June. 93% of the instalments due in May were paid, meaning that 7% was unpaid.

A significant drop in in-year collection is currently anticipated this year but the position will be closely monitored and appropriate supportive recovery arrangements will be put in place which may include payment plans stretching in to next financial year.

### 7.4 NNDR-Business Rates (£49.7m)

The % of business rates for 2020/21 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 2019/20 | 97.58% |
| Year End Target for 2020/21  | 85.88% |

| Month End Target | Month End Actual | Last year Actual |
|------------------|------------------|------------------|
| 21.43%           | 14.11%           | 24.50%           |

The amount collectable has reduced by almost £30m as a result of the Government providing a 1 year 100% discount to those in the retail,

hospitality and leisure sectors. Recovery action was suspended in March 2020 due to the COVID 19 pandemic.

79% of the instalments due during May were paid, meaning that 21% weren't paid on time. We are currently assuming a significant loss of collection in year as businesses have been severely impacted by the COVID 19 crisis and unfortunately some may go in to liquidation or may need special payment arrangements that stretch in to next year to be put in place.

#### 7.5 **Sales Ledger (£59.4m)**

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 2020/21 are as follows:

| Age of debt | Annual Target % | May 2020 |       |
|-------------|-----------------|----------|-------|
|             |                 | £m       | %     |
| Total       | 4.70            | 4,423    | 7.43% |

Sales ledger performance is outside target. Recovery was suspended in March 2020, although invoices are still being raised for services provided.

#### 8.0 **PREVIOUS MINUTES**

05/03/2020 – Council, Service & Financial Planning Strategy  
18/06/2020 - Cabinet, 2019/20 Outturn Report

#### 9.0 **BACKGROUND PAPERS**

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

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

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