

TELFORD & WREKIN COUNCIL

CABINET – 7 JANUARY 2021

FULL COUNCIL – 14 JANUARY 2021

2020/21 FINANCIAL MONITORING REPORT AND 2020/21 MID YEAR BUDGET REVIEW

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

LEAD CABINET MEMBER: CLLR RAE EVANS

PART A) – SUMMARY REPORT

1.0 SUMMARY OF KEY ISSUES

2020/21 Revenue

Telford & Wrekin Council has a long track record of sound financial management and started the year in a sound financial position. However, the coronavirus pandemic (Covid-19) is continuing to have a huge impact across the country. The UK went into full-scale lockdown on March 23 in an unprecedented step to attempt to limit the spread of the disease. Pre-empting lockdown, in early March, the Council immediately moved into an emergency response mode and acted quickly to safeguard its community and employees. The Council has continued to follow Government guidance and provide support to the community throughout the second lockdown and tier restrictions.

During what has been an unprecedented year, the Council has continued to provide all our usual services, except where we have been required to suspend them due to national restrictions (for example temporary closure of leisure centres and libraries during periods of lockdown). However, the Council has also sought to provide additional support to Telford & Wrekin residents and businesses during what has been a truly unprecedented year. Some of the highlights include items below but there are many, many more:

- In February, our staff and partners worked really hard to look after residents and businesses when the River Severn flooded
- Our Job Box teams are offering free support and advice to anyone in the borough looking for work
- At the start of lockdown in March we provided 54,000 meals to children on free school meals. We were doing this weeks before any national scheme
- Our teams made sure that we were one of the first councils to re-open our recycling centres and they still open 363 days a year. Thanks to our

Covid-safe measures, our HRCs have remained open during the current lockdown

- We're continuing to do all we can to help local businesses survive the pandemic and access grants. In the first lockdown, we were one of the quickest in the country to distribute the grants and have distributed over £32m of vital support through different grant schemes.
- We have also allocated over £30m of business rate reliefs to many businesses throughout the Borough,
- We granted 2 month council tax holidays to over 10,000 households
- We continue to support our local high street businesses throughout the pandemic by offering free business virtual workshops, grants and funding for diversification and free promotion via the Telford & Wrekin Virtual High Street Facebook group
- Our staff made sure our leisure centres re-opened safely and quickly this summer after lockdown and have reopened them again. While closed our leisure teams helped residents to stay active with free virtual classes.
- We have supplemented the national schemes for track and trace and Covid testing
- We have provided additional support to local care providers
- We Crowdfunded £20k to provide more than 200 Kindles to ensure that care home residents and local hospital patients could stay in touch with loved ones during the pandemic
- Our Laptops for Learning scheme will help around 1,000 year 6 children across the borough over the next 3 years – providing 320 laptops to schools supporting children who have fallen between the gaps of the national scheme

All this additional support has been at a time when many of our income streams have been under pressure and comes after more than a decade of severe financial constraint due to Government grant cuts and increasing demand for many Council services, Covid-19 has resulted in pressures from 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.

After considerable active budget management work undertaken by Cabinet Members and officers throughout the Council, the total projected pressure is currently estimated to be £19.28m (including council tax and business rates shortfalls). The Council has now received £17.24m of Government National Emergency Response Funding which leaves a residual pressure of £2.04m. This is a considerable improvement totalling £9.68m on the position reported to Cabinet in November. The main reasons for this improved position include:-

	£'000
Projected in-year benefit from treasury management following detailed review of anticipated treasury management year end position	(3,000)
Additional funding received from Government (Sales, Fees & Charges compensation scheme)	(2,048)
Council Tax and NDR – updated impact on collection based on current information	(2,937)
Children’s Safeguarding –including some additional staffing costs offset by lower projection for placement costs for children in care and Joint Adoption Service	(358)
Adult Social Care –including lower projection for cost of care packages	(554)
Updated Property & Investment income shortfall, based on current information	(1,000)
Updated estimate of the likely level of Planning fee income	(200)
Waste Collection – updated projections of the additional costs as a result of Covid	(189)
Housing – additional grant funding and housing benefit income	(504)
Updated projections for Leisure income shortfalls	(109)
Property costs relating to ensuring buildings are covid-safe	+288
Homelessness – estimated pressure updated	+252
ICT – income shortfall as staff diverted to support Covid	+234
Education Catering – updated projected shortfall based on the number of meals served at the beginning of the Autumn term.	+536
Other variations	(90)
Total improvement in overall position since the November Cabinet report	(9,679)

The overall in-year pressure of £19.28m referred to above includes projected service pressures totalling £14.18m together with an estimate for potential reductions to council tax and business rates income this year of £5.10m. In the Comprehensive Spending Review announced on 25 November 2020, the Government announced that they would instigate a tax income guarantee scheme which will help reduce this cost. The net shortfall remaining after the net benefit from the tax income guarantee scheme will result in a deficit balance carried forward to next year on the respective collection funds. The Government have announced that this deficit could be recovered over a three year period (2021/22 – 2023/24). However, it would be very desirable for the Council to make provision for this pressure during 2020/21 in order to avoid increasing the budget shortfall in future years given the very high level of uncertainty over future funding levels beyond March 2022

Summary	£m
Projected total pressure on service budgets	14.18
add projected shortfalls relating to business rates and council tax	5.10
Total Pressure	19.28
Emergency Grant received from Government	(17.24)
Net Pressure (before offset from tax income guarantee scheme)	2.04

This is prior to using any of the Council's remaining budget contingency or applying the specific Covid 19 reserve set aside during closure of the 2019/20 accounts. This reserve should therefore be available to carry forward at year end to support any residual financial challenges that are not covered by the funding announced by Government to support Covid 19 related costs in 2021/22.

Work will continue by both the finance team and service managers to update and refine financial projections as additional information becomes available and estimates will be regularly updated through the remainder of the year. It must be recognised that there are still many uncertainties in what is still a very dynamic environment and the projected position will fluctuate.

In addition, officers have undertaken a rigorous review of all reserves and balances held by the Council and have identified a number that can be reassigned to support the medium term financial strategy and allow investment in key Council Priorities.

Clearly, there are a number of significant 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	£1.032m
Children's Safeguarding & Family Support – additional staffing costs	£0.586m
Education & Skills – additional home to school transport costs (pre and post 16)	£0.304m
Adult Social Care – increased costs to support care providers and clients	£2.871m
Adult Social Care – costs of short term reablement care	£4.850m
Purchase of essential Personal, Protective Equipment	£0.521m

Homelessness prevention costs	£0.651m
Income losses, such as	
- Property Investment Portfolio - rental income	£1.029m
- Leisure income	£3.274m
- Theatre	£0.536m
- Car parking income	£0.584m
- Catering income	£0.852m
- Planning Fees	£0.200m
- Arthog	£0.826m
- My Options (Adults & Childrens)	£1.207m

As explained in the Service and Financial Planning report also on this agenda, accurate projections for the likely financial position of the Council in future years are impossible at present. As well as the impact of Covid-19, Brexit and all the underlying complexities of managing the overall budget for an organisation delivering hundreds of different services to diverse client groups the funding outlook for the medium term is still very uncertain due to the impact of the planned major reforms to the Local Government Finance System now being deferred (to April 2022) and any information on Government funding levels beyond March 2022 still being unavailable. The Government's medium term Comprehensive Spending Review (CSR) was announced on 25 November 2020. This is a one year Spending Review which sets out national spending plans for Government departments for 2021/22 only. It is clear, however, that the financial climate ahead will still be one of significant financial challenge over the medium-term. It is therefore essential that the Council maintains its strategy of limiting new ongoing commitments to the very highest priorities and of retaining a higher level of funding in the Budget Strategy Reserve than would normally be the case as this provides a degree of comfort that the Council will continue to be able to avoid emergency in-year budget cuts.

1.2 **Capital**

The capital programme totals £63m for 2020/21 which includes all approvals since the budget was set. At the time of compiling this report projected spend was 97% of the budget allocation. Historically spend is geared towards the end of the year; the impact of Covid-19 will continue to 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 expected levels. As part of the range of support provided to residents and businesses, debt recovery action was suspended in March 2020; 'soft' reminders were issued during July and recovery recommenced in August following the usual recovery cycle.

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 two months at the start of the year. Shortfall in income collection is currently expected for the year although projections are difficult given current circumstances. In many cases payment arrangements can be agreed that will see recovery continuing beyond March 2021.

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 has been compensated for this in full by the Government). However, in view of the severe challenges being faced by many businesses as a result of the pandemic, it is estimated that collection will be lower on the balance that has not benefitted from the Government's relief measures. Again payment arrangements extending into 2021/22 will be agreed in appropriate cases.

In total, the shortfall in Council Tax and Business Rates income this year is currently expected to be around £5.1m before applying any benefit from the tax income guarantee scheme announced as part of the CSR. The position is regularly reviewed and it is hoped that a proactive and sensitive approach to debt recovery may reduce the shortfall by year end. Under normal circumstances this shortfall impacts on cash flow in 2020/21 and the budget in 2021/22 as it falls on the collection fund as a deficit but as explained above it is the current intention to provide against the shortfall in the current financial year despite the potential to spread the cost over three financial years. This will avoid placing additional burdens on Council budgets in these years which are likely to be extremely challenging.

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 and recommend that Full council approve
 - (a) The proposed uses of the budgeted contingency (5.1)
 - (b) Approve the transfers to reserves in Section 5.2 and grant delegated authority to the Chief Executive, following consultation with the Leader, to approve the uses of the Investment in Council Priorities Fund
 - (c) Transfer of £1.25m to fund CSE Inquiry related costs in 2021/22 including making provision to respond to recommendations from this independent inquiry
 - (d) Transfer of £0.75m to the budget strategy reserve

- (ii) Note the position in relation to capital spend and the recommendation that Full Council approve the changes to the capital programme detailed in Appendix 4.
- (iii) 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 2020/21 at 31/3/21.	
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, which includes a separate Covid-19

		risk register which is reviewed and updated regularly by the 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.
IMPACT ON SPECIFIC WARDS	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:

	Net Revenue Budget	Variation Cabinet 5 Nov 2020	Movement	Total Current Variations
	£'000	£'000	£'000	£'000
Prosperity & Investment	(4,423)	2,857	(837)	2,020
Finance & Resources	14,522	34	(2,972)	(2,938)
Policy & Governance	713	185	0	185
Children's Safeguarding & Family Support	36,318	2,682	(358)	2,324
Education & Skills	12,680	1,538	(171)	1,367
Adult Social Care	45,625	4,798	(554)	4,244
Health, Wellbeing & Commissioning	3,968	588	0	588
Neighbourhood & Enforcement Services	30,533	494	(134)	360
Communities, Customer & Commercial Services	3,163	5,123	866	5,989
Housing, Employment & Infrastructure	1,867	469	(338)	131
Corporate Communications	21	234	(21)	213
Council Wide	(16,012)	(124)	(175)	(299)
Overall Service Pressure	128,975	18,878	(4,694)	14,184
MoHCLG Grant		(15,196)	(2,048)	(17,244)

Total after Grant	128,975	3,682	(6,742)	(3,060)
Council Tax/Business Rates impact		8,037	(2,937)	5,100
Total including CT and Rates	128,975	11,719	(9,679)	2,040

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

Service Area	Variance £m
<u>Property & Investment</u>	
Property Investment Portfolio – shortfall in rental income due to Covid-19. More information will be available when the first quarter rent position will continue to be monitored through the remainder of the year.	+1.029
Car Parks – income shortfall as a result of Covid-19 closures	+0.352
Premises – costs associated with ensuring buildings are Covid safe.	+0.288
<u>Finance & Human Resources</u>	
Treasury Management – a combination of continued borrowing at lower than budgeted short term rates and projected long term rates being lower than anticipated.	-3.000
Court Fee Income – projected income shortfall	+0.283
<u>Children’s Safeguarding & Family Support</u>	
Children In Care Placements – 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.	+1.032
Staffing – 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 is also factored into the projection.	+0.586

<p><u>Education & Skills</u></p> <p>Arthog – challenging income targets together with the impact of Covid-19 which has prevented income generation which has extended into the Summer and Autumn terms. It is not clear when normal levels of activity will be possible and further losses are therefore expected since the last report.</p> <p>Home to School Transport – additional costs (pre and post 16)</p>	<p>+0.826</p> <p>+0.304</p>
<p><u>Adult Social Care</u></p> <p>Purchasing, Long Term Care – support provided to care providers and clients due to Covid-19 and anticipated pressures on levels of care needed, particularly as we enter the Winter period.</p> <p>Purchasing, Short Term Reablement care – anticipated pressures during the year; £2.8m relates to contracts procured and reimbursed by the CCG for Covid-19 discharges.</p> <p>Income – overachievement of client contributions towards care.</p> <p>Income – NHS Contributions to offset care package costs where the client has health care needs.</p> <p>Income – CCG contribution to short term care-reablement and NHS England funding.</p> <p>My Options – reduced income from charges mainly for ASC clients plus loss of external income</p>	<p>+2.871</p> <p>+4.850</p> <p>-0.258</p> <p>-3.844</p> <p>-0.956</p> <p>+1.207</p>
<p><u>Health, Wellbeing & Commissioning</u></p> <p>Personal Protective Equipment – costs of purchasing PPE as a result of Covid-19</p>	<p>+0.521</p>
<p><u>Neighbourhood & Enforcement Services</u></p> <p>There are no variances over £250k to report.</p>	
<p><u>Communities, Customer & Commercial Services</u></p> <p>Leisure Operations – loss of budgeted income relating to closures required due to Covid-19.</p> <p>Catering – loss of income due to Covid-19 closures.</p>	<p>+3.274</p> <p>+0.853</p>

Theatre – loss of income due to Covid-19 closure	+0.536
<u>Housing, Employment & Infrastructure</u>	
Homelessness – costs associated with preventing homelessness during the Covid-19 pandemic.	+0.651
Income – additional income, including grant funding	-0.504
<u>Corporate</u>	
Reserves – budgeted transfer to reserves not required	-0.631

5.0 **CONTINGENCIES & BALANCES**

5.1 The 2020/21 budget includes a general contingency of £3.2m, 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 there could be further challenges which may arise during the remaining months of 2020/21, it would not therefore be prudent to allocate the full contingency at this 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 position and proposals for the general contingency is shown below

	£m
General Contingency	3.200
Approved use in November Monitoring	0.200
Residual Balance	3.000
Proposed Uses:	
CSE inquiry costs in 2020/21	1.000
Boundary Review	0.080
Remaining Balance	1.920

5.2 Following a rigorous review of reserves and provisions, the following transfers are proposed, £12m has been released (see Appendix 3), £10m will be transferred into a new Investment in Council Priorities Fund, £1.25m will be allocated to fund CSE Inquiry related costs in 2021/22 including making provision to respond to the recommendations from this independent inquiry. The total funding allocated towards the independent inquiry and recommendations will therefore be £4.89m. The remaining £0.75m from the £12m freed up from the review of reserves and provisions will be transferred to the budget strategy reserve to support the medium term financial strategy.

6.0 CAPITAL

6.1 2020/21 Capital Programme

The capital programme totals £63.29m, which includes the approvals proposed in this report. The financial position is shown in the table below which shows projected spend is currently at £61.33m.

Directorate	Current Budget £m	Spend to date £m	% Spend £m	Year End Projection £m
Prosperity & Investment	23.25	12.30	52.9%	23.24
Policy & Governance	0.09	-	0.0%	0.06
Education & Skills	5.13	2.05	40.0%	5.13
Adult Social Care	0.21	0.06	28.8%	0.21
Health, Wellbeing & Commissioning	0.07	-	0.0%	0.07
Neigh'hood & Enforcement Services	23.05	14.57	63.2%	22.21
Cities, Customer & Commercial	3.42	1.30	37.9%	3.38
Housing, Employment & Infrastructure	5.18	1.86	36.0%	4.93
Corporate Items	2.88	0.43	14.8%	2.10
Total	63.29	32.57	51.5%	61.33

6.2 The 2020/21 capital programme relies on £5.785m 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. In response to the pandemic, the Council suspended usual recovery action and has, since recovery action recommenced in August, adopted a proactive and supportive approach to debt recovery.

7.2 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 expected levels. Summary collection information is below.

	Actual
Council Tax Collection	61.66%
NNDR Collection	64.65%
Sales Ledger Outstanding Debt	7.17%

7.3 Council Tax (£92.2m)

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. As a general rule the final collection figure for any financial year exceeds 99%.

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

Month End Actual	Last year Actual
61.66%	63.98%

Recovery action 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 began in June rather than April. Recovery action recommenced at the end of July by sending a 'soft' reminder, and normal recovery processes recommenced at the end of August taking a sensitive approach to anyone who has been affected by the covid-19 pandemic.

A drop in collection is anticipated this year, and monthly targets have been calculated on this basis. At this stage we are 2.32% behind performance at the same point last year, although February and March will see a higher collection due to deferred instalments.

At this stage it is difficult to accurately predict the year end collection rate; this will largely depend on the national approach to the covid-19 pandemic and factors such as the furlough scheme, unemployment rates, closure of businesses etc.

7.4 NNDR-Business Rates (£47.7m)

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%.

Month End Actual	Last year Actual
65.01%	66.61%

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 was suspended in March 2020 due to the COVID 19 pandemic but recommenced at the end of August.

We are assuming a loss of collection as businesses have been severely impacted by the COVID 19 crisis. October figures show a 1.6% drop in collection rates compared to this point last year.

Work continues on issuing business support grants to businesses throughout the borough.

7.5 **Sales Ledger (£56.3m)**

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 2020/21 are as follows:

Target %	Oct 2020	
	£m	%
4.70	4,038	7.17%

Sales ledger performance is outside target. Recovery was suspended in March 2020 and recommenced in August 2020.

8.0 **PREVIOUS MINUTES**

05/03/2020 – Council, Service & Financial Planning Strategy

18/06/2020 - Cabinet, 2019/20 Outturn Report

09/07/2020 – Cabinet, 2020/21 Financial Monitoring Report

16/07/2020 – Full Council, 2020/21 Financial Monitoring Report

05/11/2020 – Cabinet, 2020/21 Financial Monitoring Report

26/11/2020 – Full Council, 2020/21 Financial Monitoring Report

9.0 **BACKGROUND PAPERS**

2020/21 Financial Ledger reports

2020/21 Service & Financial Planning Report

Report Prepared by:

Ken Clarke, Director: Finance & HR (Chief Financial Officer) – 01952 383100;

Pauline Harris, Corporate Finance Manager – 01952 383701