

TELFORD & WREKIN COUNCIL

CABINET – 18 FEBRUARY 2021

2020/21 FINANCIAL MONITORING REPORT

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

1.1 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 and third lockdowns 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.

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 £20.55m (including council tax and business rates shortfalls). The Council has now received £18.97m of Government National Emergency Response Funding which leaves a residual pressure of £1.58m. This is a change of £0.46m on the position reported to Cabinet in January but it should be noted that this position does not fully reflect the impact of the latest lockdown which is in force at the time of preparing this report. The main changes are:-

	£'000
Council Tax and NDR – updated impact on collection based on current information and specifically reflecting an assessment of the potential impact of the level of outstanding NDR appeals.	+1,000
Additional Funding received from Government (Sales, Fees & Charges compensation)	(1,728)
Children’s Safeguarding – updated projections for CIC placements and staffing costs	(681)
Adult Social Care – including updated projections for the purchasing of care	+976
Other variations	(31)
Change since January Cabinet report	(0.464)

The overall in-year pressure of £20.55m referred to above includes projected service pressures totalling £14.45m together with an estimate for potential reductions to council tax and business rates income this year of £6.10m. In the Comprehensive Spending Review announced on 25 November 2020, the Government announced that they would instigate a tax income guarantee scheme for 75% of irrecoverable losses 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	14.45

add projected shortfalls relating to business rates and council tax	6.10
Total Pressure	20.55
Emergency Grant received from Government	(18.97)
Net Pressure (before offset from tax income guarantee scheme)	1.58

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.

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	£0.658m
Children's Safeguarding & Family Support – additional staffing costs	£0.311m
Education & Skills – additional home to school transport costs (pre and post 16)	£0.371m
Adult Social Care – increased costs to support care providers and clients	£3.758m
Adult Social Care – costs of short term reablement care	£5.459m
Purchase of essential Personal, Protective Equipment	£0.665m
Homelessness prevention costs	£0.651m
Income losses, such as	
- Property Investment Portfolio - rental income	£0.772m
- Leisure income	£3.391m
- Theatre	£0.539m
- Car parking income	£0.590m
- Catering income	£0.993m
- Planning Fees	£0.100m
- Arthog	£0.791m
- 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 difficult at present. As well as the impact of Covid-19 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 at least 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. Further information can be found in the Service & Financial Planning Strategy.

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.

All updates to the capital programme requiring Full Council approval are included in the Service & Financial Planning Strategy to be considered at Full Council on 4 March 2021.

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. A 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 of the amounts that remain outstanding continuing beyond March 2021.

Business Rates – the total amount to be collected has reduced by over £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 £6.1m 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
- (ii) Note the position in relation to capital spend and delegate authority to the Executive Director: Housing, Communities & Customer Services after consultation with the Cabinet Member for Economy, Housing, Transport & Infrastructure to allocate £2m approved Housing allocation to support the council priorities of addressing the issue of stalled sites and empty properties across the Borough and the provision of specialist accommodation
- (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-
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	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 establish 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	No	

WARDS		
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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 £'000	Variation Cabinet 07.01.21 £'000	Movement £'000	Total Current Variations £'000
Prosperity & Investment	(4,423)	2,020	(94)	1,926
Finance & Human Resources	14,524	(2,938)	(140)	(3,078)
Policy & Governance	713	185	0	185
Children's Safeguarding & Family Support	36,838	2,324	(681)	1,643
Education & Skills	12,680	1,367	(59)	1,308
Adult Social Care	45,787	4,243	976	5,219
Health, Wellbeing & Commissioning	3,332	588	263	851
Neighbourhood & Enforcement Services	30,533	360	(127)	233
Communities, Customer & Commercial Services	3,134	5,989	(39)	5,950
Housing, Employment & Infrastructure	1,867	131	70	201
Corporate Communications	41	213	40	253
Council Wide	(16,051)	(299)	55	(244)
Overall Service Pressure	128,975	14,183	264	14,447
MoHCLG Grant		(17,244)	(1,728)	(18,972)
Total after Grant	128,975	(3,061)	(1,464)	(4,525)
Council Tax/Business Rates impact		5,100	1,000	6,100
Total including CT and Rates	128,975	2,039	(464)	1,575

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

Service Area	Variance £m
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<u>Property & Investment</u>	
Property Investment Portfolio – shortfall in rental income due to Covid-19. The position will continue to be monitored through the remainder of the year.	+0.772
Car Parks – income shortfall as a result of Covid-19 closures	+0.358
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	+0.143
<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.	+0.658
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.	+0.311
<u>Education & Skills</u>	
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	+0.791
Home to School Transport – additional costs (pre and post 16)	+0.371

<u>Adult Social Care</u>	
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 go through the Winter period.	+3.758
Purchasing, Short Term Reablement care – anticipated pressures during the year; £2.9m relates to contracts procured and reimbursed by the CCG for Covid-19 discharges.	+4.850
Income – overachievement of client contributions towards care.	-0.448
Income – NHS Contributions joint funding contributions	-0.840
Income – NHS Contributions, including winter pressures	-3.907
My Options – reduced income from charges mainly for ASC clients plus loss of external income	+1.207
<u>Health, Wellbeing & Commissioning</u>	
Personal Protective Equipment – costs of purchasing PPE as a result of Covid-19	+0.665
<u>Neighbourhood & Enforcement Services</u>	
There are no variances over £250k to report.	
<u>Communities, Customer & Commercial Services</u>	
Leisure Operations – loss of budgeted income relating to closures required due to Covid-19.	+3.391
Catering – loss of income due to Covid-19 closures.	+0.993
Theatre – loss of income due to Covid-19 closure	+0.539
<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

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
Previously approved uses	1.280
Residual Balance	1.920

6.0 CAPITAL

6.1 2020/21 Capital Programme

The capital programme totals £63.7m. The financial position is shown in the table below which shows projected spend is currently at £61.6m.

Directorate	Current Budget £m	Spend to date £m	% Spend £m	Year End Projection £m
Prosperity & Investment	23.41	14.77	63.1%	23.24
Policy & Governance	0.09	-	0.0%	0.06
Education & Skills	5.13	3.18	62.0%	5.13
Adult Social Care	0.21	0.07	34.2%	0.21
Health, Wellbeing & Commissioning	0.07	0.00	4.9%	0.07
Neigh'hood & Enforcement Services	22.89	15.80	69.0%	22.29
Cities, Customer & Commercial	3.42	1.30	38.1%	3.38
Housing, Employment & Infrastructure	5.45	2.26	41.5%	4.93
Corporate Items	3.02	0.43	14.1%	2.24
Total	63.70	37.82	59.4%	61.55

- 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.
- 6.3 It is recommended that £2m approved Housing allocation should be used to support the Council's priorities of addressing the issue of stalled sites and empty properties across the Borough and the provision of specialist accommodation. This supports the Council's Housing Strategy priorities to deliver new homes, make best use of existing housing and meet the housing needs of our most vulnerable residents. Investment will be used to fund specific interventions

bespoke to individual sites and properties increasing provision of a range of housing and/or jobs and to invest in delivery of accommodation to address homelessness including addressing rough sleeping. The investment will bring wider benefits across the borough addressing sites and properties that might otherwise cause blight and anti-social behaviour in communities.

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.

	December 2020
	Actual
Council Tax Collection	79.57%
NNDR Collection	81.11%
Sales Ledger Outstanding Debt	6.54%

7.3 Council Tax (£92.4m)

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
79.57%	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 2.53% 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 (£47.4m)**

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
81.11%	66.61%

The amount collectable has reduced by over £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 recommended at the end of August.

We are assuming a loss of collection as businesses have been severely impacted by the COVID 19 crisis. December figures show a 1.39% 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 (£58.6m)**

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 %	Dec 2020	
	£m	%
4.70	3,832	6.54%

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

07/01/2021 – Cabinet, 2020/21 Financial Monitoring Report

14/01/2021 – 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:

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