

TELFORD & WREKIN COUNCIL**CABINET – 4 NOVEMBER 2021****COUNCIL – 18 NOVEMBER 2021****BUSINESS & FINANCE SCRUTINY COMMITTEE – 16 DECEMBER 2021****2021/22 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 2021/22 Revenue**

Despite a decade of austerity, the Council has a long track record of effectively managing its financial position. Sound financial management has meant that it has been reasonably well placed to withstand the financial impacts of the pandemic compared to some other councils. However, very significant challenges are now apparent both in the budget for the current year and, particularly, in the outlook for future years. Government Covid support has been of a one-off nature and has now largely come to an end. In many cases such as the income guarantee scheme only a proportion of the shortfalls faced by the Council have been compensated placing additional challenges on the overall financial position.

In addition to the financial impacts of the pandemic, the Council has seen additional demand and increasing costs for many services, including Adult Social Care and Children's Safeguarding. The projected outturn position is currently expected to be over budget by £0.5m at year end which is a deterioration of £0.43m compared to the position reported to Cabinet In July. Projected service pressures are currently £4.68m. Adding the £1m anticipated funding shortfalls relating to business rates (which will result in a deficit balance carried forward to next year on the collection fund) takes the total pressure to £5.68m against which the £5.18m emergency response funding will be applied leaving a residual current projection of £0.5m overspend by year end. This is prior to using the Council's budget contingency and prior to any further Covid grant funding from the Government. Projections will continue to be updated and refined in the remainder of the year.

| Summary | Variation £m | Variation £m | Movement £m |
|--|-----------------|-----------------|----------------|
| | Current | July Cabinet | |
| Projected total pressure on service budgets | +4.677 | +4.244 | +0.433 |
| add estimated shortfall relating to business rates | +1.000 | +1.000 | 0.000 |
| Total pressure | +5.677 | +5.244 | +0.433 |
| Emergency response funding | (5.179) | (5.179) | 0.000 |
| Net Position | +0.498 | +0.065 | +0.433 |

There are a number of variations from the approved budget. As expected many of these continue the trend seen last year. Projections will be refined and updated as the year progresses, the key variances are shown below:

| | |
|--|--|
| Children's Safeguarding & Family Support – Children in Care Placement costs, such as additional children with complex needs coming into care and increased placement fees | +£1.892m |
| Adult Social Care – total projected overspend; this includes increased costs currently projected in relation to long term care purchasing; short term reablement costs; and staffing costs, offset by use of reserves and partner contributions. | +£2.972m |
| Income losses, including <ul style="list-style-type: none"> - Property Investment Portfolio - rental income shortfalls - Leisure income - Car parking income - Arthog - Catering Clearly it is important to remember that whilst income is below target in these areas, significant levels of income are still being achieved which is helping to support the Council's overall financial position. | +£0.132m +£0.635m +£0.185m +£0.332m +£0.556m |

As well as the potential ongoing impact of Covid-19, the funding outlook for the medium term is extremely uncertain.

The Spending Review (SR21), which sets Government departmental budgets and will inform the Council's 2022/23 and medium term Service & Financial Planning Strategy, was announced on 27 October which was after this report had been finalised. Detailed information on funding for the Council for 2022/23, and potentially later years, will not be known until the Local Government Finance Settlement later in the year.

In September, the government published its plans for Health and Social Care which represents the first stage of reforms in relation to Adult Social Care funding. This includes making an additional £12bn available for health and social care over the next 3 years (funded through a new ring-fenced UK-wide 1.25% Health and Social Care Levy). As a large employer this is likely to cost the Council in the region of £0.725m in 2022/23 although the Government have indicated that councils will be compensated for this additional cost but there was no indication that councils would receive additional funding to meet the significant pressures currently being faced. The national Local Government Association has warned that Councils in England currently face costs of around £8bn by 2024-2025 simply to keep vital services functioning at their current levels. The current lack of any clarity over the funding settlement for the Council for next year as well rising demand for key services, rapidly increasing energy costs and remaining uncertainty over the course of the pandemic combine to make it very difficult to make meaningful projections of the likely budget position for future years. However, it is clear that with the significant increase in the Government's debt as a result of responding to the pandemic that the financial climate ahead will still be one of significant financial challenge over the medium-term for local authorities.

1.2 **Capital**

The capital programme totals £82m for 2021/22 which includes all approvals since the budget was set. At the time of compiling this report projected spend was 85% of the budget allocation. Historically spend is geared towards the end of the year; any ongoing impact of Covid-19 will be monitored and projections updated as more information becomes available.

1.3 **Corporate Income Collection**

Covid-19 continues to have an impact on collection rates in 2021/22 with income collected in relation to Council Tax, Business Rates and Sales Ledger currently slightly behind the targets set.

It is difficult to predict the ongoing impact of Covid-19 on income collection and the position will be closely monitored during the year. Ultimately, all debt will be pursued and will continue to be collected after the end of the financial year with all appropriate recovery avenues being pursued.

2.0 **RECOMMENDATIONS**

Members are asked to:-

- (i) Note the 2021/22 revenue budget position which continues to be impacted by the Covid-19 pandemic and recommend that Full Council approve the use of balances detailed in section 5.1

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|-------|--|
| (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

| | | |
|---|--|--|
| 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 2021/22 at 31/3/22. | |
| 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 risk of changes in legislative or accounting requirements impacting on budgets etc. The Council has comprehensive risk management arrangements in place, which are |

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|---------------------------------|----|---|
| | | reviewed and updated by the Senior Management Team. |
| IMPACT ON SPECIFIC WARDS | No | |

PART B) – ADDITIONAL INFORMATION

4.0 2021/22 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 2021/22 budget position is summarised in the table below:

| Service Area | Net Revenue Budget £'000 | Variation 08/07/2021 Cabinet £'000 | Movement £'000 | Total Current Variation £'000 |
|---|--------------------------------|---|-------------------|--|
| Prosperity & Investment | (5,039) | 443 | (4) | 438 |
| Finance & HR | 12,777 | (1,058) | (1,672) | (2,730) |
| Policy & Governance | 849 | 0 | 0 | 0 |
| Children's Safeguarding & Family Support | 36,448 | 1,148 | 941 | 2,089 |
| Education & Skills | 11,941 | 802 | 92 | 894 |
| Adult Social Care | 48,521 | 1,982 | 990 | 2,973 |
| Health, Wellbeing & Commissioning | 2,395 | 0 | 0 | 0 |
| Neighbourhood & Enforcement Services | 30,061 | (218) | 38 | (180) |
| Communities, Customer & Commercial Services | 3,836 | 974 | 572 | 1,546 |
| Housing, Employment & Infrastructure | 1,984 | 261 | (47) | 214 |
| Corporate Communications | 0 | 0 | 0 | 0 |
| Council Wide (incl. Covid Funding) | (12,759) | (5,269) | (477) | (5,746) |
| Overall Service pressure | 131,014 | (935) | +433 | (502) |
| Council Tax/Business Rates impact | | 1,000 | 0 | 1,000 |
| Total including CT and Rates | 131,014 | 65 | +433 | +498 |

The main changes since the last report are shown in the table below:

| Variations £m | Cabinet – 08/07/21 | Change | Current Variation |
|---|--------------------|---------------|-------------------|
| Finance & HR – additional benefits from active Treasury Management | -1.100 | -1.250 | -2.350 |
| Children's Safeguarding & Family Support – CIC placements | +0.688 | +1.204 | +1.892 |
| Children's Safeguarding & Family Support – grant funding in relation to the Family Safeguarding project | 0.000 | -0.380 | -0.380 |
| Education & Skills – home to school transport | +0.400 | -0.261 | +0.139 |
| Adult Social Care Services | +1.982 | +0.990 | +2.972 |
| Communities, Customer & Commercial Services – Catering | 0.000 | +0.556 | +0.556 |
| Corporate – Pension Costs | -0.090 | -0.477 | -0.567 |
| Main Changes – Total | 1.880 | +0.382 | 2.262 |
| Other changes | -1.815 | +0.051 | -1.764 |
| Total Variations | +0.065 | +0.433 | +0.498 |

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

| Service Area | Variance £m |
|---|---|
| <p><u>Property & Investment</u></p> <p>There are currently no variances over £0.250m to report.</p> <p>Covid-19 continues to impact in some areas including PIP rental income and Carpark income due to the lockdown measures in quarter 1 and gradual recovery. The position will continue to be closely monitored.</p> | |
| <p><u>Children's Safeguarding & Family Support</u></p> <p>Children In Care Placements – projected costs are based on a detailed model which is continually updated to reflect the latest information available; a number of residential placements have become significantly more expensive due to the complexities and challenges of cases being presented; the cost of 5 young people placed on remand has added £0.546m to the projected costs for the year since the last report.</p> <p>Staffing – This reflects the additional costs associated with the Family Safeguarding initiative and is offset by grant funding and contributions from reserves</p> <p>Grant Funding – funding which will contribute to the costs of the Family Safeguarding initiative.</p> | <p>+1.892</p> <p>+0.292</p> <p>-0.380</p> |

| | |
|---|--------|
| <u>Education & Skills</u> | |
| Arthog – Summer term bookings continue to be impacted by Covid-19 restrictions. The current projection is based on restrictions being lifted and a more normal pattern of activity resuming. | +0.332 |
| <u>Adult Social Care</u> | |
| Purchasing, Long Term Care –expenditure pressure currently forecast | +1.676 |
| Purchasing, In House Care Services from My Options – underspend resulting from the ongoing transformation of services to deliver support to clients has resulted in a reduced cost to ASC. | -1.281 |
| My Options, Adults & Children's Services – impact of service transformation above on the trading position of My Options | +1.323 |
| Purchasing, Short Term Reablement – current projection of care provided; partly offset by income from CCG | +2.102 |
| CCG Income – recharges relating to hospital discharges, includes the cost of short term care above and staffing capacity | -0.571 |
| CCG Joint Funding – income relating to client care part funded by the CCG | -0.266 |
| Operational Teams – cost of agency workers required | +0.296 |
| Contribution from Reserves | -0.500 |
| <u>Communities, Customer & Commercial Services</u> | |
| Leisure Operations – loss of budgeted income relating to closures required due to Covid-19 in the first quarter of the year. | +0.636 |
| Catering (Education & Commercial) – income shortfall due to Covid in the first part of the year | +0.556 |
| <u>Finance & Human Resources</u> | |
| Treasury – projected benefit from continued borrowing at lower than budgeted short term interest rates. This projection will be updated as the year progresses. | -2.350 |
| <u>Corporate</u> | |
| Pension Costs – mainly relates to the benefit from prepayment of employers pension contribution | -0.567 |

5.0 CONTINGENCIES

- 5.1 The 2021/22 budget includes general contingencies £3.95m, (£1.25m is held specifically for ASC and Children's Safeguarding). The contingency is set aside to meet any unforeseen expenditure, or delays in phasing in the savings that the Council has to deliver this year. Clearly it is still relatively early in the financial year and many other challenges may arise for the Council during the remainder of 2021/22, 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 £0.6m 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. It is proposed to use £0.054m Special Fund Balances as an initial investment into the expansion of Castle Green cemetery in 2021/22. A measured approach to using balances will be adopted to protect future financial sustainability.

6.0 CAPITAL

6.1 2021/22 Capital Programme

The capital programme totals £82.0m, which includes the approvals proposed in this report. The financial position is shown in the table below which shows projected spend is currently at £70.2m.

| Service Area | Current Budget £m | Spend to Date £m | % Spend | Year End Projection £m |
|---|----------------------|---------------------|---------------|---------------------------|
| Prosperity & Investment | 27.43 | 4.86 | 17.72% | 23.62 |
| Policy & Governance | 0.12 | 0.00 | 0.00% | 0.06 |
| Education & Skills | 11.05 | 5.46 | 49.46% | 11.05 |
| Adult Social Care | 0.18 | 0.04 | 19.01% | 0.04 |
| Neighbourhood & Enforcement Services | 20.30 | 5.83 | 28.71% | 18.36 |
| Communities, Customer & Commercial Services | 6.11 | 0.64 | 10.46% | 3.83 |
| Housing, Employment & Infrastructure | 14.77 | 3.00 | 20.30% | 11.19 |
| Finance & Human Resources | 0.10 | 0.10 | 100.00% | 0.10 |
| Corporate Items | 2.00 | 0.09 | 4.25% | 2.00 |
| | 82.06 | 20.02 | 24.37% | 70.25 |

- 6.2 The 2021/22 capital programme relies on £14.7m of capital 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 an 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, collection for council tax collection, NDR and Sales Ledger are currently slightly behind target.

| INCOME COLLECTION – SEPTEMBER 2021 | | | |
|---|---------------|---------------|----------------------|
| | Actual | Target | Performance |
| Council Tax Collection | 54.52% | 54.96% | 0.44% behind target |
| NNDR Collection | 54.83% | 55.76% | 0.93% behind target |
| Sales Ledger Outstanding Debt | 6.45% | 4.70% | 1.75% outside target |

7.3 Council Tax (£100.2m)

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 2020/21 | 97.09% |
| Year End Target for 2021/22 | 97.03% |

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

| Month End Target | Month End Actual | Last year Actual |
|------------------|------------------|------------------|
| 54.96% | 54.52% | 52.48% |

Collection rates are 0.44% behind target for council tax which does not cause concern at this point in the financial year. Collection rates at this point last year were much lower due to the deferral / payment holiday scheme we had in place.

7.4 NNDR-Business Rates (£68.6m)

The % of business rates for 2021/22 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 2020/21 | 96.34% |
| Year End Target for 2021/22 | 97.60% |

| Month End Target | Month End Actual | Last year Actual |
|------------------|------------------|------------------|
| 55.76% | 54.83% | 55.52% |

Retail discount of 100% is no longer available to businesses, so the amount of Business Rates we have to collect this financial year is much higher than last year. Collection rates are behind target which is following the national trend. The removal of the retail discount in June caused a delay in the first instalment being due, so it is anticipated that performance will improve for these accounts later in the financial year. However, the impact of the last 18 months on our business community is still unknown.

7.5 **Sales Ledger (£78.4m)**

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 2021/22 are as follows:

| Age of debt | Annual Target % | Sept 2021 | |
|-------------|-----------------|-----------|-------|
| | | £m | % |
| Total | 4.70 | 5.057 | 6.45% |

Sales ledger performance is outside target, although performance has improved from this time last year. We continue to invoice and follow the recovery process on all outstanding debt.

8.0 **PREVIOUS MINUTES**

| | |
|------------|--|
| 04/03/2021 | Council, Service & Financial Planning Strategy |
| 10/06/2021 | Cabinet, 2020/21 Outturn Report |
| 08/07/2021 | Cabinet, 2021/22 Financial Monitoring Report |
| 22/07/2021 | Council, 2021 Financial Monitoring Report |

9.0 **BACKGROUND PAPERS**

2021/22 Financial Ledger reports
2021/22 Service & Financial Planning Report

Report Prepared by:

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