

TELFORD & WREKIN COUNCIL

**CABINET – 8 JULY 2021
COUNCIL – 22 JULY 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

This is the first Financial Monitoring Report for 2021/22, as expected, there are some residual Covid-19 pressures including income shortfalls in relation to restricted opening at facilities in the early part of the year and potential impacts on business rates collection, which is a key funding stream for the Council. It is still too early in the year to make accurate predictions of the ongoing impact of Coronavirus and how quickly the economy will recover; the position will continue to be monitored and updates provided throughout the year.

The projected service pressures are currently £4.24m. 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 £5.24m against which the £5.18m emergency response funding will be applied leaving a residual current projection of an overspend of £0.06m. by year end. This is prior to using the Council's budget contingency. It is very early in the year and projections will be updated and refined, taking into account the release of lockdown and any residual impact of Covid-19 on service areas.

Summary	£m
Projected total pressure on service budgets	+4.244
add estimated shortfall relating to business rates	+1.000
Total pressure	+5.244
Emergency response funding	(5.179)
Net Position	+0.065

There are a number of variations from the approved budget. As expected many of these continue the trend seen last year and relate to Covid-19. 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	£0.689m
Education & Skills – additional home to school transport costs (pre and post 16)	£0.511m
Adult Social Care – increased costs currently projected in relation to long term care purchasing	£1.955m
Homelessness prevention costs	£0.259m
Income losses, such as	
- Property Investment Portfolio - rental income shortfalls	£0.132m
- Leisure income	£0.782m
- Car parking income	£0.088m
- Arthog	£0.259m

As well as the potential ongoing 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 being deferred until at least April 2022 but with no confirmed date for implementation; changes to the New Homes bonus system, expected to come into force in 2022/23; and changes to the Adult Social Care (ASC) funding through the long awaited ASC Green paper also expected at some point. Further, it is unclear whether the Government will announce another one year "spending round" or a medium-term Comprehensive Spending Review later this year which will inform the Council's 2022/23 and medium term Service & Financial Planning Strategy. However, it is very likely 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 £87m for 2021/22 which includes all approvals since the budget was set. At the time of compiling this report projected spend was 86% 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 Business Rates and Sales Ledger currently behind the targets set but Council Tax collection currently in line with 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.

Business Rates – the total amount to be collected has reduced by around £24m as a result of the Government providing a continued discount to those in the retail, hospitality and leisure sectors (3 months relief at 100% and 66% relief from July onwards). Collection throughout the year will be heavily influenced by the national response to the pandemic.

It is very early in the year to make full year projections, however current indications are that Council Tax collection will remain positive throughout the year, and a potential shortfall of around 3% is currently predicted in relation to business rates. This will impact on cashflow in 2021/22 and the budget in 2022/23 as any deficit falls on the collection fund. As mentioned above the position will be closely monitored.

- 1.4 The Councillors Pride Fund was established in 2015/16, with each ward member receiving £2k per year to allocate to projects that will benefit their local area. Funds have supported community self-help and have strengthened the capacity within communities. Due to the successful outcomes the scheme has delivered and positive feedback from ward members, Town & Parish Councils, and the community, the allocation for 2021/22 and 2022/23 will increase to £5k per ward member.

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
- (ii) Approve the increase in the Councillors Pride Fund to £5k per ward member for 2021/22 and 2022/23
- (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**

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 Council has comprehensive risk management arrangements in place, which are 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	Total Current Variations
	£'000	£'000
Prosperity & Investment	(5,039)	443
Finance & H.R.	12,786	(1,058)
Policy & Governance	849	0
Children's Safeguarding & Family Support	37,153	1,148
Education & Skills	11,941	802
Adult Social Care	49,021	1,982
Health, Wellbeing & Commissioning	2,045	0
Neighbourhood & Enforcement Services	30,419	(218)
Communities, Customer & Commercial Services	3,787	974
Housing, Employment & Infrastructure	1,991	261
Corporate Communications	0	0
Council Wide (incl. Covid Funding)	(13,939)	(5,269)
Overall Service Pressure	131,014	(935)
Council Tax/Business Rates impact		1,000
Total including CT and Rates	131,014	65

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> There are currently no variances over £0.250m to report. 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.	
<u>Children's Safeguarding & Family Support</u> Children In Care Placements –The placement budget model is currently being reviewed and updated based on the latest information relating to new placements and leavers and projections will be updated following this. Staffing – This reflects the additional costs associated with the Family Safeguarding initiative (see reserve contribution below)	+0.689 +0.239

together with maternity and sickness absence cover mainly through the use of agency.	
Contribution from Reserves – funding from reserves which will cover costs of the Family Safeguarding initiative and part-mitigates staffing overspends above.	-0.287
Health Funding – Following discussions with the CCG, health representatives will commence attendance at RAMP Panel later this month and will be involved in all discussions where the service considers there to be a requirement for funding linked to health needs. The aim is to increase the current level of forecast contributions.	+0.320
<u>Education & Skills</u>	
Home to School Transport – Significant work, including the introduction of a revised Home to School Transport policy, has taken place over recent years to address and stabilise the pressure on this budget which was experiencing year on year growth in cost. This has been achieved despite increasing pupil numbers. The projected overspend, at this stage of the year, reflects the traditional pattern of expenditure. This projection will change during the year as the revised policy continues to be implemented for new cohorts of pupils and more information becomes available on the impact of COVID-19 this year. Work continues now to reduce costs further by minimising the use of high cost providers and providing support that focuses on enabling our families and young people to travel to their educational setting as independently and cost effectively as possible.	+0.400
Arthog – Summer term bookings continue to be impacted by Covid-19 restrictions. The current projection is based on restrictions being lifted by the Autumn and a more normal pattern of activity resuming.	+0.259
<u>Adult Social Care</u>	
Purchasing, Long Term Care –current forecast; work is underway to refine projections.	+1.955
<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.	+0.782
<u>Housing, Employment & Infrastructure</u>	
Homelessness – costs associated with preventing homelessness; this is an improved position from last year as a result of the	+0.259

anticipated benefit from the Next Steps Programme.	
<u>Finance & Human Resources</u>	
Treasury – initial estimate of savings arising from continued borrowing at lower than budgeted short term interest rates. This projection will be updated as the year progresses and more detailed monitoring is undertaken.	-1.100

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 very 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. 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 £87.15m, which includes the approvals proposed in this report. The financial position is shown in the table below which shows projected spend is currently at £75.3m.

Service Area	Current Budget	Spend to Date	% Spend	Year End Projection
	£m	£m		£m
Prosperity & Investment	30.74	1.33	4.32%	26.29
Policy & Governance	0.12	0.00	0.00%	0.06
Education & Skills	13.16	0.56	4.28%	13.16
Adult Social Care	0.12	0.02	16.79%	0.04
Health, Wellbeing & Commissioning	0.07	0.00	0.00%	0.00
Neighbourhood & Enforcement Services	22.11	0.66	2.96%	21.80
Communities, Customer & Commercial	6.16	0.24	3.88%	3.70
Housing, Employment & Infrastructure	12.57	0.75	5.95%	8.21
Finance & HR	0.10	0.00	0.00%	0.10
Corporate Items	2.00	0.00	0.00%	2.00
	87.15	3.56	4.08%	75.34

- 6.2 The 2021/22 capital programme relies on £8.8m 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 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, council tax collection is on target but sales ledger and NNDR collection are currently slightly behind target.

INCOME COLLECTION – APRIL 2021			
	Actual	Target	Performance
Council Tax Collection	10.19%	10.19%	On target
NNDR Collection	11.68%	14.71%	3.03% behind target
Sales Ledger Outstanding Debt	5.80%	4.70%	1.1% outside target

7.3 Council Tax (£99.1m)

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
10.19%	10.19%	8.78%

Collection rates are on target for council tax.

7.4 NNDR-Business Rates (£53.6m)

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
14.71%	11.68%	7.70%

The amount collectable has reduced by around £24m as a result of the Government providing a continued discount to those in the retail, hospitality and leisure sectors. Collection rates have improved since this time last year. Collection throughout the year will be heavily influenced by the national response to the pandemic, and the implications for our businesses.

7.5 **Sales Ledger (£65.9m)**

This includes general debt and Social Care debt. Debt below 2 months is classified as a normal credit period.

The target percentage 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:

	Annual Target %	Apr 2021	
		£m	%
Total	4.70	3,842	5.83%

Sales ledger performance is outside target, and 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

9.0 **BACKGROUND PAPERS**

2020/21 Financial Ledger reports
2020/21 Service & Financial Planning Report

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