

TELFORD & WREKIN COUNCIL

CABINET – 17 FEBRUARY 2022

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 more than a decade of severe financial constraint, 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 and only for part of the year 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 £1.14m at year end which is a small deterioration of £0.079m compared to the position reported to Cabinet in January 2022. Projected service pressures are currently £5.82m. Adding the £0.5m 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 £6.32m against which the Council's £5.18m emergency response funding allocation will be applied leaving a residual current projection of £1.14m overspend by year end. After covering this shortfall, the current projection is that there will be £2.8m left in the contingency at year end. Clearly the projection will continue to change before the end of the year and will be kept under review but our intention is that any remaining contingency funds at year end will be used to support the budget in future years.

Summary	Variation £m	Variation £m	Movement £m
	Current	Jan Cabinet	
Projected total pressure on service budgets	+5.816	+5.237	+0.579
add estimated shortfall relating to business rates	+0.500	+1.000	-0.500
Total pressure	+6.316	+6.237	+0.079
Emergency response funding	(5.179)	(5.179)	0.000
Net Position	+1.137	+1.058	+0.079

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 in the remainder of the year; 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	+£2.156m
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.	+£3.999m
Income losses, including <ul style="list-style-type: none"> - Leisure income - Car parking income - Arthog - Catering <p>Clearly it is important to remember that whilst income is below target in these areas, very significant levels of income are still being achieved across our commercial services and PIP (in excess of £22m) which is helping to support the Council's overall financial position.</p>	+£0.724m +£0.158m +£0.357m +£0.640m

As well as the potential ongoing impact of Covid-19, the funding outlook for the medium term is extremely uncertain. The 2022/23 – 2025/26 Medium Term Financial Strategy is a separate report on the Cabinet agenda and provides more detail on the medium term position.

1.2 **Capital**

The capital programme totals £73m for 2021/22 which includes all approvals since the budget was set. At the time of compiling this report projected spend was 88% of the budget allocation, therefore some slippage is anticipated into future years.

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 remainder of 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
- (ii) Note the position in relation to capital spend
- (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 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 06/01/2022 Cabinet £'000	Movement £'000	Total Current Variation £'000
Prosperity & Investment	(5,135)	478	121	599
Finance & HR	12,777	(3,565)	(500)	(4,065)
Policy & Governance	851	(178)	(48)	(226)
Children's Safeguarding & Family Support	36,883	2,152	650	2,802
Education & Skills	13,880	1,116	112	1,228
Adult Social Care	48,132	3,538	462	3,999
Health and, Wellbeing	2,182	1	2	3
Neighbourhood & Enforcement Services	30,722	(76)	(64)	(140)
Communities, Customer & Commercial Services	3,456	2,041	(47)	1,995
Housing, Employment & Infrastructure	1,848	200	(109)	91
Corporate Communications	0	0	0	0
Council Wide (incl. Covid Funding)	(14,582)	(5,649)	0	(5,649)
Overall Service pressure	131,014	58	579	637
Council Tax/Business Rates impact		1,000	(500)	500
Total including CT and Rates	131,014	1,058	79	1,137

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

Variations £m	Cabinet – 06/01/22	Change	Current Variation
Children's Safeguarding & Family Support	+2.152	+0.650	+2.802
Finance & HR – additional benefits from active Treasury Management	-3.000	-0.500	-3.500
Adult Social Care Services	+3.537	+0.462	+3.999
Council Tax/Business Rates	+1.000	-0.500	+0.500
Main Changes – Total	+3.689	+0.112	+3.801
Other	-2.631	-0.033	-2.664
Total Variations	+1.058	+0.079	+1.137

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; there has also been some success with a number of young people being stepped down from residential placements.</p>	+2.156
<p><u>Education & Skills</u></p> <p>Home to School Transport – this pressure has been exacerbated by an increase in taxi costs from September 2021; a number of initiatives are underway to address the issue including reviewing different transport options, providing minibus transport rather than taxis, reviewing routes and retendering.</p> <p>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.</p>	+0.645 +0.357
<p><u>Adult Social Care</u></p> <p>Purchasing, Long Term Care –expenditure pressure currently forecast</p> <p>Purchasing, Short Term Reablement – current projection of care provided; partly offset by income from CCG</p> <p>CCG Income – recharges relating to hospital discharges, includes the cost of short term care above and staffing capacity</p>	+4.622 +3.897 -1.999

CCG Joint Funding – income relating to client care part funded by the CCG	-0.804
CCG – agreed risk share agreement funding and other services commissioned	-1.516
Operational Teams – cost of agency workers required	+1.036
Contribution from Reserves	-0.393
<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. The impact of planned closure of Newport Pool from December until the end of March for remedial works is also included in the shortfall.	+0.724
Catering (Education & Commercial) – income shortfall due to Covid in the first part of the year and ongoing impact.	+0.640
Housing Benefit Subsidy – projected shortfall includes the impact of B&B spend where no subsidy can be claimed and lost subsidy from charity landlords.	+0.385
<u>Housing, Employment & Infrastructure</u>	
Homelessness – includes the costs associated with the provision of Bed & Breakfast provision.	+0.272
Homelessness – housing benefit income to offset B&B costs above	-0.192
<u>Finance & Human Resources</u>	
Treasury – projected benefit from continued borrowing at lower than budgeted short term interest rates. This projection will continue to be updated.	-3.500
<u>Corporate</u>	
Pension Costs – mainly relates to the benefit from prepayment of employers pension contribution	-0.643

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 income shortfalls. The current position indicates that £1.137m of the contingency will be required to meet the projected overspend in 2021/22. On current projections therefore, this will leave £2.813m available contingency which will be used to support the budget in future years.

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.

6.0 CAPITAL

6.1 2021/22 Capital Programme

The capital programme totals £73.3m, which includes the approvals proposed in this report. The financial position is shown in the table below which shows projected spend is currently at £64.5m.

Service Area	Current Budget	Spend to Date	% Spend	Year End Projection
	£m	£m		£m
Prosperity & Investment	25.33	12.09	47.71%	21.16
Policy & Governance	0.12	0.01	7.23%	0.06
Education & Skills	11.05	7.26	65.71%	11.05
Adult Social Care	0.18	0.07	38.78%	0.04
Neighbourhood & Enforcement Services	17.86	11.29	63.25%	17.86
Communities, Customer & Commercial	4.51	1.27	28.20%	3.99
Housing, Employment & Infrastructure	12.17	4.71	38.66%	8.28
Finance & HR	0.10	0.10	100.00%	0.10
Corporate Items	2.00	0.30	15.21%	2.00
	73.31	37.09	50.60%	64.53

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 – December 2021			
	Actual	Target	Performance
Council Tax Collection	81.22%	81.96%	0.74% behind target
NNDR Collection	80.45%	80.49%	0.04% behind target
Sales Ledger Outstanding Debt	6.64%	4.70%	1.94% outside target

7.3 Council Tax (£100.5m)

The percentage of the current year liability for council tax which the authority should have received during the year, as a percentage of annual collectable debit. The measure does not take account of debt that continues to be pursued and collected after the end of the financial year in which it became due. The final collection figure for all financial years exceeds 99%.

Year End performance 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
81.96%	81.22%	79.57%

Collection rates are 0.74% behind target for council tax which appears to be following the national trend. Collection rates at this point last year were lower due to the deferral / payment holiday scheme we had in place.

7.4 NNDR-Business Rates (£68.1m)

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
80.49%	80.45%	81.11%

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 slightly behind target which is following the national trend.

7.5 **Sales Ledger (£78.7m)**

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 %	Dec 2021	
		£m	%
Total	4.70	5.226	6.44%

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, Medium Term Financial Strategy
10/06/2021	Cabinet, 2020/21 Outturn Report
08/07/2021	Cabinet, 2021/22 Financial Monitoring Report
22/07/2021	Council, 2021/22 Financial Monitoring Report
04/11/2021	Cabinet, 2021/22 Financial Monitoring Report
18/11/2021	Council, 2021/22 Financial Monitoring Report
06/01/2022	Cabinet, 2021/22 Financial Monitoring Report
13/01/2022	Council, 2021/22 Financial Monitoring Report

9.0 **BACKGROUND PAPERS**

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

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