



Borough of Telford and Wrekin

Cabinet

13 July 2023

2023/24 Financial Monitoring Report

Cabinet Member:	Cllr Nathan England - Cabinet Member: Finance, Customer Services and Governance
Lead Director:	Ken Clarke - Director: Finance & Human Resources
Service Area:	Finance & Human Resources
Report Author:	Pauline Harris - Finance Manager: Corporate Finance
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Wards Affected:	All Wards
Key Decision:	Key Decision
Forward Plan:	Yes - 14 June 2023
Report considered by:	Senior Management Team – 13 June 2023 Business Briefing – 22 June 2023 Cabinet 13 July 2023 Council 13 July 2023

1.0 Recommendations for Decision/Noting

It is recommended that Cabinet

- 1.1 Notes the 2023/24 revenue budget position; and recommends that Full Council approve the efficiency proposals, additional income and budget re-alignments summarised in Appendix D and all associated changes to the Medium Term Financial Strategy
- 1.2 Notes the position in relation to capital spend; and recommends that Full Council approve the changes to the capital programme detailed in Appendix C and all associated changes to the Medium Term Financial Strategy, including Treasury and Prudential Indicators
- 1.3 Notes the current Treasury & Prudential Indicators position
- 1.4 Notes the collection rates for NNDR, council tax and sales ledger.

2023/24 Financial Monitoring Report

- 1.5 Approve the option to extend the IGMT loan repayment outlined in section 5.4 of this report and terms to be delegated to the Director: Finance & HR and Executive Director: Housing, Communities and Customer Services with the Cabinet Member for Finance, Customer Services & Governance.

2.0 Purpose of Report

- 2.1 To provide Members with the latest financial monitoring position for the year relating to: the revenue budget, capital programme and income collection.

3.0 Background

- 3.1 The Medium Term Financial Strategy (MTFS) 2023/24 - 2026/27 was approved at Full Council on 2 March 2023, which included the 2023/24 revenue budget and medium term capital programme. Since the MTFS was approved, the economic climate has continued to change with high inflation, high energy costs, increases in interest rates and rising demand for many services partly fuelled by the cost of living emergency facing our residents, businesses and the Council itself.
- 3.2 Good financial management is an essential element of good governance and long-term service planning which are critical to ensuring that local service provision is sustainable and the use of resources is maximised in order to meet the needs of our residents.
- 3.3 Financial management is the responsibility of budget holders and is supported by Finance staff using a risk based approach: 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. Financial monitoring provides Cabinet and Senior Management Team with a focussed view on the Council's financial performance, to inform and support decision making and to ensure financial sustainability.
- 3.4 This Financial Monitoring Report for 2023/24 provides the latest projections in relation to the projected outturn position i.e. how projected net revenue spend compares to the budget set for the year; progress against the 2023/24 capital programme; the key issues to be highlighted; together with a summary of collection information in relation to Council Tax, Business Rates and Sales Ledger income.
- 3.5 The funding outlook for the medium term remains very uncertain but will clearly continue to be challenging, particularly in light of the current inflationary pressures and cost-of-living emergency.
- 3.6 There is a statutory duty for local authorities to set a balanced and robust budget each financial year and to take timely action to address financial pressures. It is our aim to continue to deliver quality services whilst ensuring a balanced budget.

4.0 Summary of main proposals

- 4.1 Nationally, council's continue to face extreme challenges with unprecedented pressures fuelled by high inflation and high demand for services. While inflation is

expected to reduce in the medium term, current indicators show that the economy will be slower to recover than was expected when the Council's budget was set. There is no additional government funding to meet these cost pressures.

Given these factors, early monitoring for 2023/24 unsurprisingly indicates a number of variations from the approved budget, particularly relating to Adult Social Care and Children's Safeguarding where in order to meet the needs of residents, additional investment is required. Due to the Council's proactive and strong financial management, work is already underway to identify efficiencies and additional income to meet the projected pressures. This means we can continue to deliver quality services to the residents of the borough and protect critical front-line services without the need to implement any emergency measures such as those seen in some other councils.

Before application of contingencies included in the revenue budget, the projected outturn position is currently expected to be over budget by £2.653m at year end – this includes delivery of additional in year efficiencies and additional income identified. However, making use of the budgeted contingency will bring the overall position within budget for the year, and will still leave £1.3m contingency balance for the rest of 2023/24.

The Council has an excellent track record of strong financial management and Cabinet Members and budget holders will continue their work to manage budgets as effectively as possible during 2023/24 and are actively implementing actions to address the in-year financial pressures. The eventual outturn could be better or worse and projections will continue to be refined as the year progresses.

As mentioned, efficiencies and additional income, have been identified to support the overall position. This includes one offs totalling £4.5m and ongoing measures totalling £5.9m.

A summary of the current projection for the year end position is:-

	£m
Net Revenue Budget	146.774
Projected Net Revenue Outturn	149.427
Projected Variance	+2.653
Use of Budget Contingency	-2.653
Residual Projected Underspend	Nil

There are clearly a number of variations from the approved budget. Projections will continue to be refined as the year progresses; the key variances are shown below:

Children's Safeguarding & Family Support –increased demand requiring additional investment, mainly residential placements; increased placement costs, escalating needs of children and young people open to services and a couple of	+£3.831m
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young people with complex needs coming into residential care; increased staffing costs.	
Adult Social Care – cost of providing care packages across all client groups requiring additional investment to be made in order to meet demand	+£2.801m
Estimated additional cost of 2023/24 pay award	+£2.737m

4.2 Capital

The capital programme totals £145m for 2023/24 which includes all approvals since the budget was set. Schemes are in progress and at the time of compiling this report projected spend was 93% of the budget allocation.

4.3 Corporate Income Collection

Income collected in relation to business rates, Council Tax, and Sales Ledger are currently slightly behind the targets set. 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.

5.0 Additional Information

5.1 The overall 2023/24 budget position is summarised in the table below (this includes the delivery of additional in year efficiencies and additional income identified):

Service Area	Budget £'000	Total Variation £'000
Prosperity & Investment	(5,535)	(258)
Finance & HR	15,325	(961)
Policy & Governance	988	(830)
Children's Safeguarding & Family Support	41,259	3,831
Education & Skills	14,571	(810)
Adult Social Care	61,922	2,801
Health & Wellbeing	2,172	(376)
Neighbourhood & Enforcement Services	34,839	(1,383)
Communities, Customer & Commercial Services	5,258	(261)
Housing, Employment & Infrastructure	2,625	(225)
Corporate Communications	(9)	5
Council Wide	(26,641)	1,120

Total Net Revenue Budget	146,774	2,653
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- 5.2 Projected variances over £0.250m are highlighted below, all other variances over £50k are detailed in Appendix B. Efficiencies and additional income identified are detailed in Appendix D.

Service Area	Variance £m	Efficiencies & Additional Income
<u>Prosperity & Investment</u>		
One Off & Ongoing Efficiencies, Additional Income & Budget Realignment – see appendix D		-0.555
<u>Finance & Human Resources</u>		
One Off & Ongoing Efficiencies, Additional Income & Budget Realignment – see appendix D		-0.960
<u>Policy & Governance</u>		
One Off & Ongoing Efficiencies, Additional Income & Budget Realignment – see appendix D		-0.830
<u>Children’s Safeguarding & Family Support</u>		
Children In Care Placements – additional investment required to cover cost of residential placements. This is a combination of escalating needs of some children and young people; new children entering residential placements and high costs associated with some placements offset by benefits from some young people being stepped down from residential placements.	+5.316	
Joint Adoption Service – arising from children place with adopters from external agencies.	+0.295	
Health Funding – anticipated health contributions in relation to health needs as a result of increased engagement with health colleagues.	-2.906	
Staffing – a combination of vacancies and services pressures has resulted in agency costs being incurred	+0.631	
Children with Disabilities – partly due to provider cost increases; a number of initiatives are underway to ensure cost effective and appropriate support is provided.	+0.279	
One Off & Ongoing Efficiencies, Additional Income & Budget Realignment – see appendix D		-0.900

Service Area	Variance £m	Efficiencies & Additional Income
<u>Education & Skills</u>		
One Off & Ongoing Efficiencies, Additional Income & Budget Realignment – see appendix D		-0.796
<u>Health & Wellbeing</u>		
One Off & Ongoing Efficiencies, Additional Income & Budget Realignment – see appendix D		-0.464
<u>Adult Social Care</u>		
Longer Term Care Purchasing – projected expenditure relating to block and spot contracts requiring additional investment to meet demand	+4.580	
Client Contributions – towards care provided	-0.604	
One Off & Ongoing Efficiencies, Additional Income & Budget Realignment – see appendix D		-1.179
<u>Neighbourhood Services</u>		
One Off & Ongoing Efficiencies, Additional Income & Budget Realignment – see appendix D		-1.350
<u>Housing, Employment & Infrastructure</u>		
One Off & Ongoing Efficiencies, Additional Income & Budget Realignment – see appendix D		-0.471
<u>Communities, Customer & Commercial Services</u>		
Housing Benefit Subsidy – a combination of reduced recovery of overpayments, B&B spend where no subsidy can be claimed. This is a significantly improved position and the service is continuing to work with providers to further reduce subsidy loss.	+0.391	
One Off & Ongoing Efficiencies, Additional Income & Budget Realignment – see appendix D		-0.817
<u>Council Wide</u>		
Additional costs associated with the 2023/24 pay award	+2.737	

Service Area	Variance £m	Efficiencies & Additional Income
Re-profiled savings	+0.500	
One Off & Ongoing Efficiencies, Additional Income & Budget Realignment – see appendix D		-2.117

5.3 CONTINGENCIES, RESERVES & BALANCES

5.3.1 The 2023/24 budget includes a general revenue contingency of £3.950m. This is set aside to meet any unforeseen expenditure or income shortfalls during the year. The current projected position would require use of a significant proportion of the contingency (see table in 4.1).

5.3.2 There is also a contingency amount held centrally for contractual inflation and the 2023/24 pay award (which is in the process of negotiation). A pressure has already been included in relation to additional costs arising from the 2023/24 pay award and this will be updated once the pay award is finalised.

5.4 IRONBRIDGE GORGE MUSEUM TRUST

5.4.1 The Council made a loan to the Ironbridge Gorge Museum Trust which is due to expire in January 2031. The balance outstanding at 31 March 2023 was £171,210 and the loan is secured by a guarantee from the Ironbridge (Telford) Heritage Foundation Ltd. This continues the valuable partnership working between the Council and IGMT which is key to the effective management of the World Heritage Site, maximising tourism and promoting Destination Telford. Unfortunately the impact of Covid and the cost of living crisis has impacted on anticipated visitor numbers and recovering to pre-pandemic levels is expected to take a further 3 years. As a result the trust have asked for our support and the option to extend the period of the loan for a further 2 years is proposed to help reduce the cost of the in year payments.

5.5 CAPITAL

5.5.1 2023/24 Capital Programme

The capital programme totals £145m, which includes the approvals proposed in this report. The financial position is shown in the table below which shows projected spend is currently at £135m (93%).

Service Area	Approved Budget	Spend	% Spend	Year End
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	£m	£m		£m
Prosperity & Investment	65.37	2.52	3.85%	63.94
Policy & Governance	0.08	0.00	0.00%	0.06
Education & Skills	28.85	0.23	0.80%	28.85
Adult Social Care	1.11	0.17	15.27%	1.08
Neighbourhood & Enforcement Services	18.63	1.36	7.30%	18.18
Cities, Customer & Commercial Services	8.46	0.38	4.49%	6.90
Housing, Employment & Infrastructure	20.44	0.77	3.77%	14.16
Finance & Human Resources	0.10	0.00	0.00%	0.10
Corporate Items	1.50	0.00	0.00%	1.50
Total	144.54	5.43	3.8%	134.77

5.5.2 The 2023/24 capital programme relies on £3.08m of net capital receipts as part of its funding. 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.

5.5.3 New allocations, slippage and virements are included in Appendix C for approval.

5.5.4 Full Council approved Prudential and Treasury Indicators on 2 March 2023. Appendix E shows the Treasury and Prudential Indicator monitoring as at end May 2023.

6.0 CORPORATE INCOME MONITORING

6.1 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.

6.2 In summary, collection is behind targets set:

INCOME COLLECTION – MAY 2023			
	Actual	Target	Performance
Council Tax Collection	18.91%	18.95%	0.04% behind target
NNDR Collection	23.41%	24.78%	1.37% behind target
Sales Ledger Outstanding Debt	5.40%	5.25%	0.15% outside target

6.3 Council Tax (£108.3m)

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 2022/23 97.31%
 Year End Target for 2023/24 97.31%

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

Month End Target	Month End Actual	Last year Actual
18.95%	18.91%	18.95%

Collection rates are very slightly behind target.
 Targets have been set based on last year's performance.

6.4 NNDR-Business Rates (£75.7m)

The % of business rates for 2023/24 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 2022/23 98.17%
 Year End Target for 2023/24 98.17%

Month End Target	Month End Actual	Last year Actual
24.78%	23.41%	23.41%

Collection levels are similar to previous years.

6.5 Sales Ledger (£99.4m)

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 2023/24 are as follows:

Age of debt	Annual Target %	May 2023	
		£m	%
Total	5.25	5.369	5.40

Sales ledger performance is slightly outside target, although performance has improved in recent months. We continue to invoice and follow the recovery process on all outstanding debt with the relevant Service departments.

7.0 Alternative Options

7.1 Budget holders will investigate a number of options to seek to deliver required service outcomes from within budgeted resources. Options to deliver efficiencies and additional income have been explored.

8.0 Key Risks

8.1 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 and further inflationary pressures, 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.

9.0 Council Priorities

9.1 Delivery of all Council priorities depends 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.

10.0 Financial Implications

10.1 The financial impacts are detailed throughout the report.

11.0 Legal and HR Implications

11.1 There are no direct legal implication 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.

11.2 Legal services will provide ongoing advice in relation to specific proposals relating to the making of efficiencies or savings, including on any requirement to undertake consultation as such proposals are brought forward for consideration.

12.0 Ward Implications

12.1 There are no impacts on specific wards

13.0 Health, Social and Economic Implications

13.1 There are no Health, Social and Economic Implications directly arising from this report.

14.0 Equality and Diversity Implications

14.1 There are no Equality & Diversity implications directly arising from this report. Proportionate impact assessments are carried out and a range of consultation mechanisms are used where appropriate.

15.0 Climate Change and Environmental Implications

15.1 There are no Climate Change and Environmental Implications directly arising from this report.

16.0 Background Papers

1 Medium Term Financial Strategy 2023/24 – 2026/27 Council 02/03/2023

17.0 Appendices

Appendix A	Summary of 2023/24 Projected Variations
Appendix B	2023/24 Revenue Variations over £50,000
Appendix C	Capital Approvals
Appendix D	Efficiencies
Appendix E	Treasury & Prudential Indicators

18.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Director	08/06/2023	09/06/2023	KC
Finance	08/06/2023	08/06/2023	PH
Legal	09/06/2023	09/06/2023	RP