



Borough of Telford and Wrekin

Cabinet

15 February 2024

2023/24 Financial Monitoring Report

Cabinet Member:	Cllr Nathan England - Cabinet Member: Finance, Customer Services and Governance
Lead Director:	Michelle Brockway - Interim Director: Finance & Human Resources
Service Area:	Finance & Human Resources
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Wards Affected:	All Wards
Key Decision:	Not Key Decision
Forward Plan:	Not Applicable
Report considered by:	SMT – 16 January 2024 Business Briefing – 25 January 2024 Cabinet – 15 February 2024

1.0 Recommendations for Decision/Noting

It is recommended that Cabinet:

- 1.1 Notes the 2023/24 revenue budget position;
- 1.2 Notes the position in relation to capital spend; and
- 1.3 Notes the collection rates for NNDR, council tax and sales ledger.

2.0 Purpose of Report

- 2.1 To provide Cabinet 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 approved 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, especially in light of the current inflationary pressures, increasing cost of placements in Children's Safeguarding and high demand in Adult Social Care.
- 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.
- 3.7 The Medium Term Financial Strategy is a separate report on the Cabinet agenda and provides more detail on the medium term position.

4.0 Summary of main proposals

- 4.1.1 Nationally, Councils continue to face extreme challenges with unprecedented pressures fuelled by high inflation and high demand for services – particularly Adult Social Care and Children's Safeguarding. Many councils have reported significant pressures in their financial monitoring reports arising from increases in demand for key services and higher costs particularly for provision of social care.

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- 4.1.2 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. September 2023 CPI was 6.7%, in October CPI fell to 4.6% and in November it fell to 3.9%, significantly lower than the high of 11.1% in October 2022 but still reflecting the ongoing pressure of increasing costs. There is no additional government funding to meet these cost pressures; although it is clear that councils need a long-term, fully resourced plan from the Government in order to sufficiently fund local services.
- 4.1.3 Given these factors, early monitoring for 2023/24 indicated 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 was required. Due to the Council's proactive and strong financial management, work was undertaken earlier in the year to identify savings and additional income to meet the projected pressures at that point and the Medium Term Financial Strategy was updated at Full Council in July to reflect this.
- 4.1.4 Unfortunately, Children's Safeguarding and Adult Social Care have continued to project further additional investment being required since July in order to meet high demand and manage market challenges. Similar pressures are being experienced by all councils nationally. It was very disappointing that the provisional local government finance settlement announced in December 2023 failed to address the considerable pressures being experienced nationally in Adults and Children's Services.
- 4.1.5 Before application of remaining contingencies included in the revenue budget, the projected outturn position is currently expected to be over budget by £9.438m at year end, an increase of £1.813m since the last report. Making use of the remaining budgeted contingency and one off reserves identified will bring the overall position to additional investment of £0.080m being required.
- 4.1.6 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 the remainder of 2023/24 to address the in-year financial pressures. Work identified in previous monitoring reports such as accelerating savings proposals, review of reserves and balances, review of vacancies and strict control of spend, will continue to be actioned.
- 4.1.7 Projections will continue to be refined in the final part of the year. While extremely challenging our aim is to continue to deliver quality services to the residents of the borough and protect critical front-line services. If the final outturn position is over budget this would be covered from a number of reserves which may include the Council's Budget Strategy Reserve.

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

	£m
Net Revenue Budget	146.774
Projected Net Revenue Outturn	156.212
Projected Variance	+9.438
Use of Budget Contingency	-2.656
Use of Reserves	-6.702
Additional Investment Required	+0.080

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

Adult Social Care – cost of providing care packages across all client groups requiring additional investment to be made in order to meet demand. This position is after the additional net investment of £7.26m in to ASC made as part of the original budget for 2023/24 and the further investment of £3.975m in the amendments to the MTFs approved at Council in July 2023.	+£8.002m
Children’s Safeguarding & Family Support – increased demand requiring additional investment, including residential placements and complex post-16 placements; together with increased staffing costs and provider charges. This position is after the additional net investment of £2.5m in to Children’s Safeguarding made as part of the original budget for 2023/24 and the further investment of £4.521m in the amendments to the MTFs approved at Council in July 2023.	+£4.088m

4.2 Capital

The capital programme totals £90.05m for 2023/24 which includes all approvals since the budget was set. Schemes are in progress and at the time of compiling this report spend is projected to be 92% of the programme at year end which indicates there will be re-phasing into 2024/25 to complete projects.

4.3 Corporate Income Collection

Income collected in relation Business Rates, Council Tax and Sales Ledger are currently outside 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 monitoring position against the budget is summarised in the table below:

Service Area	Budget	Total Variation 4.1.24	Movement	Total Current Variation
	£m	£m	£m	£m
Prosperity & Investment	(5.389)	0.238	0.000	0.238
Finance & HR	14.529	(0.798)	0.000	(0.798)
Policy & Governance	1.071	0.000	0.000	0.000
Children's Safeguarding & Family Support	46.105	3.910	0.178	4.088
Education & Skills	15.118	(0.280)	0.091	(0.189)
Adult Social Care	65.706	5.848	2.154	8.002
Health & Wellbeing	2.100	0.060	(0.001)	0.059
Neighbourhood & Enforcement Services	34.356	(0.485)	(0.290)	(0.755)
Communities, Customer & Commercial Services	5.514	0.555	(0.034)	0.521
Housing, Employment & Infrastructure	2.378	(0.050)	(0.284)	(0.334)
Corporate Communications	0.000	(0.020)	0.000	(0.020)
Council Wide	(34.714)	(1.354)	0.000	(1.354)
Total	146.774	7.624	1.813	9.438

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

Service Area	Variance £m
<u>Prosperity & Investment</u>	
Fee income shortfall	+0.552
One off benefit relating to NDR refunds relating to Addenbrooke House and Darby House	-0.497
<u>Finance & HR</u>	
Treasury – the impact of capital spend re-profiling and positive cash flow has resulted in a projected benefit during 2023/24.	-0.500
<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, in particular Post 16 placements, offset by benefits from some young people being stepped down from residential placements.	+5.482
Health Funding – anticipated health contributions in relation to health needs as a result of increased engagement with health colleagues, which partly offsets the CIC costs above.	-2.902
Children with Disabilities – the impact of increased complexity of need requiring additional care and support provision to enable support children’s needs arising from the impact of their disabilities. Health are also contributing towards these packages.	+0.426
Fostering Adoption & Permanence – costs associated with placements, including travelling	+0.267
Family Safeguarding –relating to costs which generally increase in line with complexity of children’s needs and care planning.	+0.736
Family Safeguarding – additional grant income and reserves to support the costs of the family safeguarding initiative.	-0.314
<u>Education & Skills</u>	
Transport – there has been a significant increase in families choosing enabling modes of school travel assistance including	-0.273

Service Area	Variance £m
an uptake of personal budgets that are funded via a separate grant.	
<u>Adult Social Care</u>	
Longer Term Care Purchasing – projected expenditure relating to block and spot contracts requiring additional investment to meet demand and fees. Additional funding from Health and additional Market Sustainability Grant have been secured to offset some of these costs (see below).	+12.272
Health Funding Contributions – NHS funding towards above costs for clients with health needs.	-2.964
Prevention & Independence – Staffing underspends mainly due to vacancies pending recruitment	-0.525
Prevention & Independence – Older People & Disability – income from reimbursed direct payments	-0.378
Autism, Learning Disability & Mental Health – direct payments income	-0.292
Autism, Learning Disability & Mental Health – reduced reserves funding available due to additional care costs within Transforming Care Partnership	+0.284
My Options – an in year pressure only , resulting mainly from a part rescheduling of an invest to save project , together with in year recruitment issues resulting in increased agency costs , all of which are in the process of being addressed to ensure no further or ongoing pressure.	+0.828
Prevention & Enablement – agency cover required to deliver service	+0.330
Income – client contributions	-0.335
Market Sustainability Grant - additional government grant announced during the Summer.	-1.177
<u>Neighbourhood & Enforcement Services</u>	
Waste services – recycling penalty deduction	-0.270
Income – recovery of costs incurred from fire at Overdale in 2021/22	-0.288

Service Area	Variance £m
<u>Housing, Employment & Infrastructure</u>	
Income – maximisation of grant income received	-0.262
<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 from 2022/23 and the service is continuing to work with providers to find long term solutions to reduce subsidy loss on an ongoing basis.	+0.518
<u>Council Wide</u> – including: WME dividend and in year one off benefit from active energy contract management; pension cost benefits and inflation contingency	-1.355

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. £1.294m was applied to fund additional investment as part of the Medium Term Strategy updated and approved in July, leaving £2.656m available for the remainder of the year.

The current projected position would require use of all of the contingency (see table in 4.1.8).

5.3.2 There is also a contingency amount held centrally for contractual inflation. Any remaining balance will be applied to support the overall position at year end.

5.3.3 A rigorous review of reserves has been undertaken including consideration of the impact of the funds no longer being available for the purpose they were originally set aside for. This has identified £6.702m which can be released to support the overall revenue position (see table in 4.1.8). This does not include any of the Budget Strategy Reserve.

5.4 CAPITAL

5.4.1 2023/24 Capital Programme

The capital programme totals £90.05m. The financial position is shown in the table below which shows projected spend is currently below budget. Budgets will be re-phased into 2024/25 as required to complete projects.

	Approved Budget	Spend	% Spend	Year End
	£m	£m		£m
Prosperity & Investment	46.04	29.23	63.49%	41.45
Policy & Governance	0.06	0.02	33.33%	0.06
Education & Skills	9.29	7.23	77.83%	9.29
Adult Social Care	0.99	0.96	96.97%	0.96
Neighbourhood & Enforcement Services	17.70	9.99	56.44%	17.70
Cities, Customer & Commercial Services	4.82	2.91	60.37%	4.51
Housing, Employment & Infrastructure	9.53	4.49	47.11%	7.45
Finance & Human Resources	0.10	0.10	100.00%	0.10
Corporate Items	1.52	0.05	3.29%	1.52
Total	90.05	54.98	61.1%	83.03

5.4.2 The 2023/24 capital programme relies on £0.774m of net capital receipts as part of its funding. Capital receipts included in the medium term budget strategy are kept under continual review and any changes will be reflected in future budget projections but are currently projected to be on target.

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 Summary collection information is shown below:

INCOME COLLECTION – DECEMBER 2023			
	Actual	Target	Performance
Council Tax Collection	80.17%	80.75%	0.58% Outside target
NNDR Collection	81.26%	82.00%	0.74% Outside target
Sales Ledger Outstanding Debt	7.48%	5.25%	2.23% Outside target

6.3 Council Tax (£109.5m)

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

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

Month End Target	Month End Actual	Last year Actual
80.75%	80.17%	80.75%

Collection rates are slightly behind target and is likely to be a consequence of the cost of living crisis.

6.4 NNDR-Business Rates (£75.2m)

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
82.00%	81.26%	82.59%

Collection rates are slightly behind target, and performance last year.

6.5 Sales Ledger (£88.2m)

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 %	Dec 2023	
		£m	%
Total	5.25	6.598	7.48

Sales ledger performance is outside of target. This is in part due to a large balance for NHS which has recently been raised.

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 savings 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 implications 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 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
2	2023/24 Financial Monitoring Report	Cabinet 13/07/2023
		Council 13/07/2023
3	2023/24 Financial Monitoring Report	Cabinet 04/01/2024
		Council 25/01/2024

17.0 Appendices

Appendix A	Summary of 2023/24 Projected Variations
Appendix B	2023/24 Revenue Variations over £50,000

18.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Director	10/01/2024	10/01/2024	MLB
Finance	10/01/2024	11/01/2024	PH
Legal	10/01/2024	11/01/2024	RP