



Borough of Telford and Wrekin

CABINET

14 JULY 2022

2022/23 Financial Monitoring Report

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|---------------------------------|---|
| Cabinet Member: | Cllr Rae Evans, Cabinet Member - Finance, Governance & Customer Services |
| Lead Director: | Ken Clarke, Finance & Human Resources |
| Service Area: | Corporate & Capital Finance |
| Report Author: | Pauline Harris, Corporate Finance Manager |
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| Wards Affected: | All |
| Key Decision: | Yes |
| Forward Plan: | 15/06/2022 |
| Report considered by: | SMT – 14 June 2022 |

1.0 Recommendations for Decision/Noting

It is recommended that Cabinet

- 1.1 Notes the 2022/23 revenue budget position and approve the allocations of the contractual inflation contingency detailed at Section 5.3.2
- 1.2 Notes the position in relation to capital spend
- 1.3 Recommends that Full Council approve the changes to the capital programme detailed in Appendix C
- 1.4 Notes the collection rates for NNDR, council tax and sales ledger

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 2022/23 - 2025/26 was approved at Full Council on 3 March 2022, which included the 2022/23 revenue budget and medium term capital programme.
- 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.
- 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 is the first Financial Monitoring Report for 2022/23 and provides the latest projections in relation to the projected outturn position i.e. whether net revenue spend will be within the budget set for the year; progress against the 2022/23 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 It is still early in the year to make accurate predictions particularly relating to factors such as the overall state of the economy which impacts on a number of key services, inflationary pressures including pay awards and the impact of increasing demand for social care and other services. The position will continue to be monitored and updates provided throughout the year.
- 3.6 The funding outlook for the medium term is very uncertain but will clearly continue to be challenging. Due to the impact of Covid19, the major planned reforms to the local government finance system were postponed with the earliest date for implementation now being April 2023 – although there is currently no clear timetable and limited time for Government to undertake the necessary work and consultation changes could still, potentially, be implemented from next year making forward financial projections very difficult. There is currently no detailed information available to indicate how a new system might operate and the impact for individual authorities. There are also anticipated changes to the New Homes Bonus system with consultation expected during 2022 and a revised scheme potentially being introduced from April 2023. Significant reforms to the Adult Social Care are in progress however the level of ongoing funding to support the additional Adult Social Care pressures has not been confirmed.

4.0 Summary of main proposals

- 4.1 The projected outturn position is currently expected to be over budget by £0.551m at year end. After covering this shortfall, the current projection is that there will be £3.399m left in the general contingency at year end.

| | |
|---------------------------------------|----------------|
| Net Revenue Budget | £134.953m |
| Net Revenue Outturn | £135.504m |
| Projected Variance – overspend | £0.551m |
| Use of General Contingency | £0.551m |
| Residual Variance | nil |

Inflationary pressures will be a specific challenge during the year - CPI is currently 9.1% and RPI is 11.7% (May 2022) and the position will be closely monitored as the year progresses.

The position shown above is after allocating £2.0m of the inflation contingency to offset contractual inflationary pressures. However, this still leaves £1.48m for any further contract related inflation which arises during the remainder of the year.

There are a number of variations from the approved budget. As expected many of these continue the trends 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 – projected overspend; Children in Care Placement costs, such as additional children with complex needs coming into care and increased placement fees | +£1.720m |
| Education & Skills – projected overspend relating to pre and post 16 Transport costs, driven by a sharp increase in taxi costs in 21/22 which has a full year impact in 2022/23. | +£0.711m |
| Leisure Income – shortfall due to the closure of Newport Pool until July for improvements to the pool together with grant funded works to reduce carbon emissions as part of the Council’s commitment to tackle climate change. | +£0.351m |
| Treasury Management - re-profiled capital programme and use of some temporary borrowing at lower than budgeted interest rates | -£2.500m |

4.2 **Capital**

The capital programme totals £116m for 2022/23 which includes all approvals since the budget was set. Schemes are in progress and at the time of compiling this report projected spend was 87% of the budget allocation.

4.3 **Corporate Income Collection**

Income collected in relation to Council Tax, and Sales Ledger are currently slightly behind the targets set whilst income from business rates is on target. 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 2022/23 budget position is summarised in the table below:

| Service Area | Net Revenue Budget | Total Current Variation |
|---|--------------------|-------------------------|
| | £ | £ |
| Prosperity & Investment | (6,635,390) | 0 |
| Finance & HR | 13,859,664 | (2,500,000) |
| Policy & Governance | 880,521 | 0 |
| Children's Safeguarding & Family Support | 38,946,054 | 1,948,306 |
| Education & Skills | 13,652,500 | 827,337 |
| Adult Social Care | 52,666,231 | 36,897 |
| Health & Wellbeing | 2,212,580 | 0 |
| Neighbourhood & Enforcement Services | 30,972,707 | (193,983) |
| Communities, Customer & Commercial Services | 4,329,624 | 369,728 |
| Housing, Employment & Infrastructure | 2,059,671 | 63,000 |
| Corporate Communications | 0 | 0 |
| Council Wide | (17,991,412) | 0 |
| Total Net Revenue Budget | 134,952,750 | 551,285 |

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>Children's Safeguarding & Family Support</u> | |
| Children In Care Placements – pressure on residential placement costs. This is a combination of 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. | +1.720 |
| Post 18 Staying Put and Leaving Care Support – this includes a number of step-downs from residential placements to semi-independent placements which have resulted in a pressure on this budget. | +0.318 |
| Health Funding – anticipated health contributions in relation to health needs. | -0.500 |

| | |
|---|--------|
| <u>Education & Skills</u> | |
| Home to School Transport – pressures continuing from last year driven by a sharp increase in taxi costs in 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. | +0.542 |
| <u>Communities, Customer & Commercial Services</u> | |
| Leisure – income shortfall including the impact of the closure of Newport Pool until July for improvement to the pool and grant-funded works to reduce carbon emissions as part of our commitment to tackle climate change. | +0.351 |
| <u>Neighbourhood & Enforcement Services</u> | |
| Contractual Inflation – inflationary increase in excess of budgeted amount: Waste, Highways, Street Lighting, Grounds & Cleansing, and Transport contracts | +1.379 |
| Contribution from Inflation Contingency – to meet above pressure | -1.379 |
| <u>Finance & Human Resources</u> | |
| Treasury – projected benefit from re-profiled capital programme and use of some temporary borrowing at lower than budgeted interest rates. This projection will continue to be updated. | -2.500 |

5.3 **CONTINGENCIES**

5.3.1 The 2022/23 budget includes a general contingency of £3.95m. This contingency is set aside to meet any unforeseen expenditure or income shortfalls during the year. The current position indicates that £0.551m of the contingency will be required to meet the projected overspend in 2022/23. This will leave £3.399m available contingency to meet any further pressures in the remainder of the year.

| | £m |
|--------------------------------------|--------------|
| General Contingency | 3.950 |
| Required to Meet Projected Overspend | -0.551 |
| Residual Balance | 3.399 |

5.3.2 There is also a contingency amount held centrally for contractual inflation totalling £3.484m (which includes one-off funds set aside as part of the 2021/22 outturn). Inflation pressures currently identified total £2.004m, the majority of which relates to Neighbourhood & Enforcement contracts, mentioned above, together with Adult Social Care cost inflation. This position will be updated in future reports as more information becomes available.

| | £m |
|--|--------------|
| Contractual Inflation Contingency | 3.484 |
| Allocations for Approval: | |
| Neighbourhood & Enforcement Contracts (Waste, Highways, Street Lighting, Grounds & Cleansing, Transport) | 1.379 |
| Adult Social Care | 0.534 |
| Utilities – operational buildings | 0.072 |
| PFI Contract Inflation | 0.019 |
| Total to be Allocated | 2.004 |
| Residual Balance | 1.480 |

5.3.3 An allowance to meet the 2022/23 pay award is also held centrally, totalling £3.938m (which includes one-off funds set aside at year end 21/22). This will be allocated as required once the outcome of the pay negotiations is known.

5.4 **CAPITAL**

5.4.1 **2022/23 Capital Programme**

The capital programme totals £116m, (87%), which includes the approvals proposed in this report. The financial position is shown in the table below which shows projected spend is currently at £101m.

| Service Area | Approved Budget £m | Spend £m | % Spend | Year End £m |
|--|-----------------------|-------------|-------------|----------------|
| Prosperity & Investment | 49.22 | 3.94 | 8.00% | 47.11 |
| Policy & Governance | 0.08 | 0.00 | 0.00% | 0.08 |
| Education & Skills | 14.08 | 2.16 | 15.34% | 14.01 |
| Adult Social Care | 1.81 | 0.00 | 0.00% | 1.73 |
| Neighbourhood & Enforcement Services | 18.35 | 1.00 | 5.45% | 17.12 |
| Cities, Customer & Commercial Services | 7.45 | 0.13 | 1.74% | 4.07 |
| Housing, Employment & Infrastructure | 16.73 | 0.23 | 1.37% | 9.94 |
| Finance & Human Resources | 0.10 | 0.00 | 0.00% | 0.10 |
| Corporate Items | 8.33 | 0.00 | 0.00% | 6.78 |
| Total | 116.15 | 7.46 | 6.4% | 100.94 |

5.4.2 The 2022/23 capital programme relies on £12.558m 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.

5.5 **CORPORATE INCOME MONITORING**

5.5.1 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.

5.5.2 In summary, collection for Sales Ledger Income is in target and council tax and NDR Collection are currently slightly behind target.

| INCOME COLLECTION – May 2022 | | | |
|-------------------------------------|---------------|---------------|----------------------|
| | Actual | Target | Performance |
| Council Tax Collection | 18.91% | 19.13% | 0.22% behind target |
| NNDR Collection | 22.50% | 22.50% | On target |
| Sales Ledger Outstanding Debt | 6.45% | 4.70% | 1.75% outside target |

5.5.3 Council Tax (£104.3m)

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 2021/22 | 97.26% |
| Year End Target for 2022/23 | 97.09% |

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

| Month End Target | Month End Actual | Last year Actual |
|------------------|------------------|------------------|
| 19.13% | 18.91% | 19.10% |

Collection rates are 0.22% behind target for council tax. Targets have been set slightly lower than performance for 2021/22 as we anticipate the cost of living crisis will have an impact on collection rates throughout the year.

5.5.4 NNDR-Business Rates (£75.1m)

The % of business rates for 2022/23 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 2021/22 | 98.41% |
| Year End Target for 2022/23 | 97.58% |

| | | |
|------------------|------------------|------------------|
| Month End Target | Month End Actual | Last year Actual |
| 24.5% | 24.5% | 25.29% |

Collection rates are on target this month, although it is early in the financial year to be making any predictions for the year end.

5.5.5 Sales Ledger (£77.8m)

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 2022/23 are as follows:

| Age of debt | Annual Target % | May 2022 | |
|-------------|-----------------|----------|-------|
| | | £m | % |
| Total | 5.25 | 5.488 | 7.05% |

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.

6.0 Alternative Options

6.1 Not Applicable.

7.0 Key Risks

7.1 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 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.

8.0 Council Priorities

8.1 Delivery of all 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.

9.0 Financial Implications

9.1 The financial impacts are detailed throughout the report.

10.0 Legal and HR Implications

10.1 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.

11.0 Ward Implications

11.1 There are no impacts on specific wards

12.0 Health, Social and Economic Implications

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

13.0 Equality and Diversity Implications

13.1 There are no Equality & Diversity implications directly arising from this report.

14.0 Climate Change and Environmental Implications

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

15.0 Background Papers

| | | |
|---|---|--|
| 1 | Medium Term Financial Strategy 2022/23 – 2025/26 | Council 03/03/2022 |
| 2 | Service & Financial Planning Report – 2021/22 Outturn | Cabinet 23/06/2022 Council 14/07/2022 |

16.0 Appendices

| | |
|------------|---|
| Appendix A | Summary of 2022/23 Projected Variations |
| Appendix B | 2022/23 Revenue Variations over £50,000 |
| Appendix C | Capital Approvals by Service Area |

17.0 Report Sign Off

| Signed off by | Date sent | Date signed off | Initials |
|----------------------|------------------|------------------------|-----------------|
| Director | 06/06/2022 | 06/06/2022 | KC |
| Finance | 09/06/2022 | 09/06/2022 | PH |
| Legal | 09/06/2022 | 10/06/2022 | RP |