



Borough of Telford and Wrekin

Cabinet

5 January 2023

2022/23 Financial Monitoring Report

Cabinet Member:	Cllr Rae Evans - Cabinet Member: Finance, Governance and Customer Services
Lead Director:	Ken Clarke - Director: Finance & Human Resources
Service Area:	Finance & Human Resources
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Wards Affected:	All Wards
Key Decision:	Key Decision
Forward Plan:	Yes - 7 December 2022
Report considered by:	SMT – 6 December 2022

1.0 Recommendations for Decision/Noting

It is recommended that Cabinet

- 1.1 Notes the 2022/23 revenue budget position
- 1.2 Approve the allocation of the contractual inflation contingency detailed at Section 5.4.2
- 1.3 Recommends that Full Council approve the transfer of £6m to a budget strategy reserve, detailed in Section 5.4.4, which will be used to support the Medium Term Financial Strategy (including the current year if required); and that Full Council approve the use of £0.180m Special fund balances for additional lighting works to be undertaken in the Special fund areas.
- 1.4 Notes the position in relation to capital spend
- 1.5 Recommends that Full Council approve the changes to the capital programme detailed in Appendix C
- 1.6 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 (MTFS) 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. Since the MTFS was approved, the economic climate has radically changed with a rapid increase in the rate of inflation, increases in interest rates and increasing demand for many services partly fuelled by the cost of living crisis facing our residents. These factors combined with the increase in the national debt resulting from recent Government policy decisions combine to make the financial outlook facing the Council more uncertain than ever before.
- 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 Many councils are reporting significant pressures in their financial monitoring reports arising from cost of living of pressures. Telford & Wrekin Council is also facing significant budget challenges arising from increasing costs and increasing demand for services. This Financial Monitoring Report for 2022/23 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 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 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 crisis.
- 3.6 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 Nationally Councils are facing extreme financial challenges in 2022/23 as soaring inflation has significantly increased the cost of providing services and at the same time the cost-of-living crisis has increased public demand for some services. The Local Government Association has stated

“The sharp spike in inflation and energy prices is an unprecedented crisis which could not have been predicted by either central or local government when the Government finalised the local government finance settlement earlier this year and councils set their budgets in March.”

Telford & Wrekin Council is not immune to these pressures and with CPI inflation currently at 11.1% there are impacts on costs across all services, including energy bills, care provider costs and transport costs, which were unknown when the budget was set. Further, some impacts of Covid have continued into 2022/23, such as in Children’s Services, however unlike previous years there is no additional government funding to meet these costs.

Before application of contingencies included in the overall revenue budget, the projected outturn position is currently expected to be over budget by £4.598m at year end, an increase of £1.337m since the last report. This will require the majority of the budgeted contingencies to be used to fund the in-year position. 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 and are actively implementing actions to address the in-year financial pressures. The eventual outturn could be better or worse as spend is updated and projections are refined in the final quarter of the year.

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

	£m
Net Revenue Budget	134.953
Projected Net Revenue Outturn	139.551
Projected Variance	4.598
Use of General Contingencies	4.598

In total, after funding the projected overspend, the Council would be left with just £36k of contingency by year end.

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

Children’s Safeguarding & Family Support – projected pressure; Increased demand; Children in Care Placement costs, such as escalating needs of children and young people open to services and a couple of young people with	+£6.315m
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complex needs coming into residential care; increased staffing costs.	
Adult Social Care – cost of providing care packages, including long-term care and short-term reablement	+£4.024m
Education & Skills – projected pressure relating to pre and post 16 Transport costs, driven by a sharp increase in operating costs due to inflationary pressures.	+£0.880m
Treasury Management - re-profiled capital programme and use of some temporary borrowing at lower than budgeted interest rates	-£3.550m
Additional Funding and One off Resources	-£1.983m

4.2 Capital

The capital programme totals £87m 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 98% of the budget allocation.

4.3 Corporate Income Collection

Income collected in relation to business rates is ahead of target, while 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 2022/23 budget position is summarised in the table below:

Service Area	Net Revenue Budget £'000	Variation 13/10/2022 Cabinet £'000	Movement £'000	Total Current Variation £'000
Prosperity & Investment	(6,041)	503	33	536
Finance & HR	13,847	(3,778)	(212)	(3,990)
Policy & Governance	969	0	0	0
Children's Safeguarding & Family Support	39,144	5,376	939	6,315
Education & Skills	13,927	1,113	(54)	1,059
Adult Social Care	53,359	2,304	1,720	4,024
Health, Wellbeing & Commissioning	2,199	58	(45)	13
Neighbourhood & Enforcement Services	32,905	(655)	(146)	(801)
Communities, Customer & Commercial Services	4,637	(63)	(70)	(133)
Housing, Employment & Infrastructure	2,110	(2)	(27)	(29)
Corporate Communications	0	(26)	2	(24)
Council Wide (incl. Covid Funding)	(22,103)	(1,569)	(803)	(2,372)
Overall Service pressure	134,953	3,261	1,337	4,598

5.2 The main service changes since the last report are :

Variations £m	Cabinet – 13.10.22	Current Variation	Change
Children’s Safeguarding & Family Support key areas of change: <ul style="list-style-type: none"> Increased CIC placement costs due to escalating needs of children; new residential placements and increased complexity of cases; Increased agency costs being incurred due to staff vacancies and the requirement to support current demand across children and family services Joint Adoption Service 	+5.376	+6.315	+0.939
Adult Social Care A range of increased pressures across the service, including: Care for Adults with Learning Disabilities; block contracts; short-term care reablement costs.	+2.304	+4.024	+1.720
Main Changes – Total	+7.680	+10.339	+2.659
Other variations	-4.419	-5.741	-1.322
Total Variations	+3.261	+4.598	+1.337

5.3 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>	
Utilities – impact of inflation	+0.430
Allocation from corporate inflation contingency	-0.430
PIP Income – shortfall due to slippage of development schemes into future years	+0.825
PIP – contribution from reserves	-0.596
Reserves – use of one off reserves and bad debt provision	-0.400
<u>Children’s Safeguarding & Family Support</u>	
Children In Care Placements – pressure on residential placement costs. 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.	+5.228
Joint Adoption Service – arising from children place with adopters from external agencies.	+0.329

Health Funding – anticipated health contributions in relation to health needs as a result of increased engagement with health colleagues.	-1.200
Staffing – a combination of vacancies and services pressures has resulted in agency costs being incurred	+1.405
Contribution from Reserves	-0.298
<u>Adult Social Care</u>	
Long Term Care Purchasing – projected expenditure relating to block and spot contracts in excess of budgets	+5.907
Joint Funding Contributions towards care packages	-1.500
Reablement – there is a cost pressure of £6.9m on this budget. The ICB have agreed funding of around £5.5m to date with further discussions needed for the remaining £1.4m. There is a risk that part of this pressure could fall to the council to find, however this not be the case and therefore is not projected as a pressure for the Council in this report.	
<u>Education & Skills</u>	
Home to School Transport / Post 16 Transport – pressures continuing from last year driven by a sharp increase in operating costs in September 2021 and further contractual inflation pressures from renewed taxi contracts in September 2022. 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. This variation is after allocating £0.300m from the corporate inflation contingency.	+0.880
<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 and a reduction in the level of overall income owed.	+0.613
ICT – mainly capitalisation of Microsoft licenses	-0.347
<u>Neighbourhood Services</u>	
Waste & Neighbourhood Services – underspends mainly due to reduced food tonnages and reduced residual waste tonnages.	-0.596
Optimisation of grant income	-0.300
<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.	-3.725
<u>Council Wide</u>	
Additional Funding/one off resources	-1.983
Cessation of Health & Social Care Levy	-0.300

5.4 CONTINGENCIES, RESERVES & BALANCES

5.4.1 The 2022/23 budget includes contingencies 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 all of this contingency (see table in 4.1 above)

5.4.2 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 £2.800m, which leaves £0.684m currently available to support pressures. This position will continue to be updated in future reports as more information becomes available.

	£m
Contractual Inflation Contingency	3.484
Previously approved (July/Oct Cabinet)	2.500
Previously Unallocated Inflation Contingency	0.984
Allocations for Approval in this report:	
Pre & Post 16 Transport (Education)	-0.300
Total to be Allocated	0.300
Residual Balance Remaining	0.684

5.4.3 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 2021/22). This is in the process of being allocated following the national pay agreement.

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- 5.4.4 A detailed review of reserves and balances have been undertaken which has freed up £6m that could be used to support the Medium Term Financial Strategy (or in year position if required).

Description of Reserves	£m
Corporate Capacity / Invest to Save Fund - review of historic commitments	1.922
Reserves where Spend can be capitalised	1.483
Grants - purpose fulfilled therefore reserve no longer required	0.761
Insurance - Self Insurance Fund - review of balance held	0.500
Contract Reserve	0.125
Finance Staffing Reserve	0.100
Various other Service Reserves	1.109
Total Released	6.000

- 5.4.5 Significant improvements are to be undertaken to some existing lighting in the special fund area, including Hinkshay Road that provides access to Dark Lane Car Park, the town park and Telford Hornets Rugby Club. It is recommended that £0.180m funding is approved from Special Fund Balances for this purpose.

5.5 CAPITAL

5.5.1 2022/23 Capital Programme

The capital programme totals £87m, which includes the approvals proposed in this report. The financial position is shown in the table below which shows projected spend is currently at £85m (98%).

Service Area	Approved Budget £m	Spend £m	% Spend	Year End £m
Prosperity & Investment	32.85	14.38	43.75%	31.16
Policy & Governance	0.08	0.00	0.00%	0.08
Education & Skills	14.78	11.22	75.95%	14.70
Adult Social Care	1.81	0.02	0.92%	1.73
Neighbourhood & Enforcement Services	20.18	11.49	56.93%	20.18
Cities, Customer & Commercial Services	6.97	3.06	43.94%	6.97
Housing, Employment & Infrastructure	9.22	3.70	40.16%	9.20
Finance & Human Resources	0.10	0.10	100.00%	0.10
Corporate Items	1.05	0.29	27.87%	1.05
Total	87.03	44.25	50.8%	85.16

- 5.5.2 The 2022/23 capital programme relies on £13.2m 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.

5.5.3 Full Council approved Prudential and Treasury Indicators on 3 March 2022. The Council has operated within the Treasury Limits and Prudential Indicators set.

5.6 CORPORATE INCOME MONITORING

5.6.1 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 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.

5.6.2 In summary, sales ledger collection is outside target, council tax is 0.85% behind target and NNDR collection is significantly above target.

INCOME COLLECTION – October 2022			
	Actual	Target	Performance
Council Tax Collection	63.13%	63.98%	0.85% behind target
NNDR Collection	67.18%	64.61%	2.57% ahead of target
Sales Ledger Outstanding Debt	6.52%	5.25%	1.27% outside target

5.6.3 Council Tax (£105.1m)

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 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
63.98%	63.13	63.33

Collection rates are 0.85% 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. The lower collection rates we are experiencing are likely to be the impact of the cost of living crisis and because the Government did not allocate funding for a council tax

reduction 'grant' for benefit recipients this year, whereas up to £150 was applied for these accounts during 2021/22.

5.6.4 **NDR-Business Rates (£74.4m)**

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
64.61%	67.18%	62.75%

Collection rates are significantly above target and will remain so until the later part of the financial year. Discretionary awards (CARF) were made to businesses at the end of last financial year and the balances rolled forward to 2022/23, these businesses are benefiting from lower instalments currently.

5.6.5 **Sales Ledger (£87.6m)**

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 %	Oct 2022	
		£m	%
Total	5.25	5.714	6.52

Sales ledger performance is outside target. We continue to invoice and follow the recovery process on all outstanding debt with the relevant Service departments. The level of debt outstanding in ASC in particular continues to rise.

6.0 **Alternative Options**

6.1 Budget holders will investigate a number of options to seek to deliver required service outcomes from within budgeted resources.

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 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.

8.0 Council Priorities

8.1 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.

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
3	2022/23 Financial Monitoring Report	Cabinet 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	30/11/2022	30/11/2022	KC
Finance	30/11/2022	30/11/2022	PH
Legal	30/11/2022	01/12/2022	RP