



Borough of Telford and Wrekin

Cabinet

7 November 2024

2024/25 Financial Monitoring Report

Cabinet Member:	Cllr Zona Hannington - Cabinet Member: Finance, Governance & Customer Services
Lead Director:	Michelle Brockway - Interim Director: Finance, People and IDT
Service Area:	Finance, People and IDT
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Wards Affected:	All Wards
Key Decision:	Key Decision
Forward Plan:	Yes – 30 October 2024
Report considered by:	SMT – 24 September 2024 Business Briefing – 3 October 2024 Cabinet – 7 November 2024

1.0 Recommendations for Decision/Noting

It is recommended that Cabinet:

- 1.1 Notes the 2024/25 revenue budget position; and that Full Council approve the use of £0.216m Special Fund balances for additional lighting works to be undertaken in the Special fund areas;
- 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 collection rates for NNDR, council tax and sales ledger;

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- 1.4 Notes the current position in relation to Treasury & Prudential Indicators; and
- 1.5 Authority to approve bids from the Invest to Save/Capacity Fund is delegated to the Chief Executive after consultation with the Leader or the Cabinet Member with responsibility for Finance

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) 2024/25 to 2027/28 was approved at Full Council on 29 February 2024, which included the 2024/25 revenue budget and medium term capital programme. Since the MTFS was approved, the economic climate has continued to be challenging with costs pressures being experienced, particularly in relation to the provision of Adult Social Care.
- 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 2024/25 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 2024/25 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 and will clearly continue to be challenging, particularly given the Council has already had to deliver £156.9m ongoing budget savings since 2009/10.
- 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

- 4.1.1 Nationally, Councils continue to face extreme challenges with unprecedented pressures driven by high costs and high demand for services – particularly Adult

Social Care, Children's Safeguarding and School Travel Assistance. Following the publication of its Local Government White paper in June 2024 which stated "there has never been a more difficult time for local government", the LGA has now published its submission to the Treasury ahead of the Autumn Budget and Spending Review. In it, they are clear that "councils are under severe financial strain" with a funding gap of £6.2bn predicted over the next 2 years and financial sustainability being tested. As their Priority 1, the LGA are calling for "a significant and sustained increase in overall funding that reflects current and future demands for services. In addition, the system for funding councils is out of date, opaque and urgently in need of reform. Councils need multi-year and timely finance settlements, and greater certainty over financial reforms, to enable them to plan ahead and make meaningful financial decisions."

- 4.1.2 Telford & Wrekin Council echoes the LGA's views and welcomes the Government's acknowledgement that councils have a vital role in delivering services to our communities and local government funding is a key issue; we need multi-year and timely finance settlements and clarity over financial reforms to enable future planning and informed decision making.
- 4.1.3 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. In September 2024 CPI fell to 1.7% which is below the Bank of England's 2% target and an indication that price increases are steady. The Bank of England reduced base rate from 5.25% to 5.00% in August with further cuts predicted later in the year but still higher than was anticipated when the Council's budget was set.
- 4.1.4 Given these factors, monitoring for 2024/25 indicates a number of variations from the approved budget, notably relating to Adult Social Care where in order to meet the needs of the most vulnerable residents, additional investment is required.
- 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 £4.498m at year end, which is an increase of £0.944m since the last report. Making use of the specific earmarked Social Care contingency and an element of the General budget contingency will bring the overall position within budget at year end.
- 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 2024/25 to address in-year financial pressures.
- 4.1.7 Projections will continue to be refined and updates brought to Cabinet in future financial monitoring reports. While extremely challenging our aim is to continue to deliver quality services to the residents of the borough and protect critical front-line services.

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

	£m
Net Revenue Budget	157.296
Projected Net Revenue Outturn	161.794
Projected Variance	+4.498
Use of One off Contingency (earmarked for Social Care Pressures)	-1.959
Use of General Budget Contingency	-2.539
Projected Year End Variance	0.000

4.1.9 There are a number of variations from the approved budget, detailed in Section 5. The key variance is Adult Social Care (ASC), with £4.3m additional investment currently being required relating to the cost of providing care packages across all client groups. This includes the impact of market price increases, more complex needs, higher demand and longer periods of care being required; all of which are being analysed by the Service with the aim of refining projections and managing spend. This is after additional net investment of £5.9m (which is after savings of £7.7m have been reflected) into ASC in 2024/25 as part of the Medium Term Financial Strategy.

4.2 **Capital**

The capital programme totals £102.4m for 2024/25 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 on budget at year end.

4.3 **Corporate Income Collection**

Income collected in relation to Business Rates is within the target set while Sales Ledger and Council Tax are slightly outside the target 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 2024/25 monitoring position against the budget is summarised in the table below:

Service Area	Budget	Variation 10 July 2024 Cabinet	Movement	Total Current Variation
	£m	£m	£m	£m
Finance, People & IDT	16.531	(0.075)	(1.544)	(1.619)
Policy & Governance	1.488	(0.043)	0.000	(0.043)
Adult Social Care	68.174	4.300	(0.030)	4.270
Housing, Commercial & Customer Services	5.320	0.054	(0.054)	0.000
Children's Safeguarding & Family Support	49.550	0.158	0.607	0.765
Education & Skills*	13.559	0.000	0.506	0.506
Health & Wellbeing	0.806	0.070	(0.037)	0.033
Neighbourhood & Enforcement Services	32.762	(0.045)	(0.001)	(0.046)
Prosperity & Investment	(6.853)	(0.071)	1.495	1.424
Council Wide	(24.041)	(0.794)	0.002	(0.792)
Total	157.296	3.554	0.944	4.498

*Excludes DSG variances – see 5.2.2 below.

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

Service Area	Variance £m
<u>Finance, People & IDT</u>	
Treasury – impact of capital spend re-profiling and positive cash flow positions in the early part of the year. This benefit is offsetting the income pressure in the Property Investment Portfolio shown below.	-1.500
<u>Adult Social Care</u>	
Longer Term Care Purchasing – projected expenditure relating to block and spot contracts. Additional investment is required due to the continued increase in demand since the budget was set and the impact of increases in market rates. The service	+3.769

Service Area	Variance £m
<p>continues to work on delivering care which maximises prevention and independence where possible.</p> <p>My Options – Adults & Childrens Services – pressure from delay in delivery of savings from change in provision at Lakewood Court and staffing savings to be delivered.</p> <p>Prevention & Enablement, Intermediate Care – demand for reablement services and services to facilitate discharge from hospital continue to be high and a pressure is very likely in 2024/25. Regular discussions with Shropshire and Telford & Wrekin ICB are being held to determine the funding strategy for 2024/25 which may result in a share of the pressure falling on Telford & Wrekin Council. No variance is included at present pending the outcome of discussions; the position will be updated in future financial monitoring reports.</p> <p>Prevention & Enablement, Staffing & Operational Expenditure – additional spend relating to the cost of agency workers</p>	<p>+0.478</p> <p>+0.274</p>
<p><u>Housing, Commercial & Customer Services</u></p> <p>Customer Relationships & Welfare Services – Use of One off Reserve Funding</p> <p>Strategic Housing, Income – income shortfall which will be delivered when Housing Schemes become operational (Red Lion development due 2025/26). Note, borrowing costs are also reduced which is reflected in the Treasury benefit reported under Finance.</p>	<p>-0.461</p> <p>+0.270</p>
<p><u>Children’s Safeguarding & Family Support</u></p> <p>Children in Care, Leaving Care Team & Speciality Services, Family Solutions:</p> <p>Children In Care Placements – additional investment was allocated in the 2024/25 budget process and costs are currently projected to be within budget. The Council’s new provision for supported accommodation, Octavia Court, which opened in the Summer, is also having a positive impact on placement costs.</p> <p>Health Funding – anticipated health contributions in relation to health needs are lower than budgeted, impacted by reduced overall placement costs.</p>	<p>-0.668</p> <p>+0.580</p>

Service Area	Variance £m
Safeguarding, Management & Partnerships:	
Staffing expenditure – shortfall arising from one off investment ending and anticipated savings target applied	+0.647
Operational expenditure – includes expenditure relating to Impower support	+0.804
Income – mainly capitalisation of Impower spend (above)	-0.789
<u>Prosperity & Investment</u>	
Regeneration & Investment, Property Portfolio Income – capital investment re-phased into future years with corresponding impact on budgeted income. Note, this is offset by a reduction in borrowing costs which is reflected in the Treasury benefit totalling £1.5m reported under Finance.	+1.052
<u>Council Wide</u> – including WME dividend which is projected to be higher than budgeted; additional retained rates inflation and other corporate underspends.	-0.793

5.2.2 Dedicated Schools Grant (DSG)

Dedicated Schools Grant sits within Education & Skills and is monitored separately to the Council's General Fund position shown in Section 5.1. Excluding funds passed to academies and colleges, Dedicated Schools Grant totals £133.4m in 2024/25. DSG deficits are currently required to be held in a separate reserve in local authorities' accounts which is disregarded from the measure of local authority reserves. These regulations apply up to and including the accounts for 2025 to 2026.

During 2023/24 Telford & Wrekin's DSG was overspent and a deficit of £1.82m was carried forward to 2024/25. The deficit was due to budget pressures relating to High Needs provision and these pressures have continued in 2024/25. The current position is that the deficit is currently projected to significantly increase in 2024/25, from £1.82m at the start of the year to approximately £6m at the end of the financial year.

A cost improvement plan is being developed to address the budget pressures in high needs. The Council has a positive relationship with schools and other providers which assists the Council to manage the budget as effectively as possible and ensure we meet our responsibilities to young people.

High needs pressure is a national issue with most upper tier Council's having a DSG deficit. At the end of 2022/23, the national total DSG deficit was £1.168bn (which included 100 authorities with deficits).

In 2020, the Government introduced a statutory override that meant that all local authorities' DSG deficits were separated from a Council's wider accounts. This means there is no current expectation that a council's general fund should be used to offset any DSG deficit. This override is currently in place until 2025/26. The new government has yet to announce its policy position beyond 2025/26.

The position is being closely monitored and updates will be included in future financial monitoring reports.

5.3 CONTINGENCIES, RESERVES & BALANCES

5.3.1 The 2024/25 budget includes a general revenue contingency of £3.950m which is set aside to meet any unforeseen expenditure or income shortfalls during the year and a one-off contingency of £1.959m set aside specifically for Social Care pressures.

The current projected position would require use of all of the one-off contingency earmarked for Social Care and a proportion of the general contingency leaving £1.411m contingency balance for the remainder of the year (see table in 4.1.8).

5.3.2 There is also a contingency amount held centrally for contractual and pay inflation. Any remaining balance will be applied to support the overall position at year end. It should be noted that the pay award for 2024/25 is still in the process of being negotiated; if it is higher than the allowance set aside this will be an additional in year pressure.

5.3.3 The Budget Strategy Reserve remains at £21.7m.

5.4 CAPITAL

5.4.1 2024/25 Capital Programme

The 2024/25 capital programme totals £102.4m. The financial position is shown in the table below and shows projected spend at year end is on target at £102m.

Service Area	Approved Budget	Spend	% Spend	Year End
	£m	£m		£m
Prosperity and Investment	58.15	17.88	30.74%	58.54
Policy and Governance	0.07	0.01	8.39%	0.05
Education & Skills	17.98	5.06	28.16%	17.98
Adult Social Care	0.03	-0.04	0.00%	0.03
Neighbourhood & Enforcement Services	12.86	3.08	23.97%	12.38
Housing, Commercial & Customer Services	6.37	1.96	30.78%	6.07
Finance, People and IDT	5.93	2.91	49.12%	5.94
Corporate Items	1.01	0.23	22.92%	1.01
	0.00	0.00	0.00%	0.00
Total	102.41	31.10	30.4%	102.00

5.4.2 The 2024/25 capital programme relies on £4.6m 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.

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

5.4.4 Full Council approved Prudential and Treasury Indicators on 29 February 2024. Appendix D shows the Treasury and Prudential Indicator monitoring as at end August 2024.

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, NNDR collection is within the target set while sales ledger collection and council tax are slightly outside target.

INCOME COLLECTION – AUGUST 2024			
	Actual	Target	Performance
Council Tax Collection	44.88%	45.35%	0.47% outside target
NNDR Collection	50.86%	49.49%	1.37% ahead of target
Sales Ledger Outstanding Debt	5.82%	5.25%	0.57% outside target

6.3 Council Tax (£119.1m)

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 2023/24	97.31%
Year End Target for 2024/25	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
45.35%	44.88%	45.21%

Collection rates are slightly behind target.

6.4 NNDR-Business Rates (£82.3m)

The % of business rates for 2024/25 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 2023/24	97.37%
Year End Target for 2024/25	98.00%

Month End Target	Month End Actual	Last year Actual
49.49%	50.86%	48.86%

Collection rates are slightly ahead of target, and ahead of performance last year.

6.5 Sales Ledger (£103.6m)

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 2024/25 are as follows:

Age of debt	Annual Target %	August 2024	
		£m	%
Total	5.25	6.027	5.82

Sales ledger performance is outside of target; individual balances are being pursued.

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 2024/25 to 2027/28
- 2 2024/25 Financial Monitoring Report

Council 29/02/2024
Cabinet 10/07/2024

17.0 Appendices

Appendix A	Summary of 2024/25 Projected Variations
Appendix B	2024/25 Revenue Variations over £50,000
Appendix C	Capital Approvals
Appendix D	Treasury & Prudential Indicators

18.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Director	19/09/2024	20/09/2024	MLB
Finance	18/09/2024	18/09/2024	PH
Legal	19/09/2024	20/09/2024	RP