



Borough of Telford and Wrekin

Cabinet

12 February 2026

2025/26 Financial Monitoring Report

Cabinet Member:	Cllr Zona Hannington - Cabinet Member: Finance, Governance and Customer Services
Lead Director:	Michelle Brockway - 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:	9 October 2025
Report considered by:	SMT – 13 January 2026 Business Briefing – 22 January 2026 Cabinet – 12 February 2026

1.0 Recommendations for Decision/Noting

It is recommended that Cabinet:

- 1.1 Notes the 2025/26 revenue budget position, which shows that due to the proactive in-year financial management, the Council is projecting to be within budget at year end;
- 1.2 Notes that the estimated total reserves at the end of 2025/26 are £57.3m including the £21.7m Budget Strategy Reserve and £4.1m in General Balances which both remain unused during 2025/26;
- 1.3 Notes the position in relation to capital spend; and
- 1.4 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) 2025/26 to 2028/29 was approved at Full Council on 27 February 2025, which included the 2025/26 revenue budget and medium-term capital programme. Since the MTFS was approved, the economic climate has continued to be challenging with cost and demand 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) whilst 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 2025/26 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 2025/26 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 Government has committed to reforming the Local Government Finance System with 2026/27 being the first year of a new funding regime for Local Authorities. The new system includes an updated assessment of relative needs and resources and a reset of the Business Rates Retention Scheme. The provisional local government funding settlement for 2026/27 was announced on 17 December 2025. The provisional settlement is the first multi-year settlement in over a decade with funding allocations covering 2026/27 to 2028/29 being provided. It should be noted that the settlement will remain an annual event and figures for future years are subject to change until "locked down" by their own settlement. The provisional settlement for Telford & Wrekin has been positive with spending power increasing by 8.8% in 2026/27. This includes over £6m in additional Revenue Support Grant for 2026/27 and increases in ringfenced grants for Children, Families and Youth and Homelessness, Rough Sleeping and Domestic Abuse. The deadline for responses to the provisional settlement is 14 January 2026. The Chief Financial Officer will agree a response to the provisional settlement with the Cabinet Member for Finance, Governance & Customer Services. Whilst the funding settlement gives a degree of certainty over the medium term the outlook will clearly continue to be

challenging, particularly given the Council has already had to deliver £195.3m 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. In order to support unforeseen pressures, the approved budget for 2025/26 includes contingencies of £7.2m (£3.95m General contingency and £3.25m specific contingencies including £2m for Adult Social Care). This supports the Council's aim to continue to deliver quality services whilst ensuring a balanced budget.
- 3.7 The Council has a consistent track record of sound financial management, ending the year within budget with unqualified audit opinions for the statement of accounts for many years, meaning the accounts are presented fairly, are free from material misstatements and comply with the relevant accounting framework and accounting standards.

4.0 Summary of main proposals

- 4.1.1 Nationally, Councils continue to face extreme challenges in 2025/26 with unprecedented pressures driven by high costs and high demand for services – particularly Adult Social Care, Children's Safeguarding and School Travel Assistance.
- 4.1.2 Ahead of the Budget on 26 November, the LGA wrote to the Chancellor highlighting the key role and value that Councils provide in delivering the Government's objectives: building new homes, economic growth and improving health and life chances of those most vulnerable in our communities. However, they also reiterated the scale of financial challenges facing the sector, with "demand and costs outstripping councils' available resources" and stress that the financial reforms need to address the sustainability of council finances with a significant increase in overall funding needed.
- 4.1.3 Whilst 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 November 2025, CPI fell to 3.2% but remains above the Bank of England's 2% target despite this being the second consecutive reduction. The Bank of England reduced the base rate from 4% to 3.75% in at its MPC meeting in December. No further cuts are anticipated before the end of the financial year.
- 4.1.4 Given these factors, monitoring for 2025/26 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 Strong financial management and prudent financial planning mean that the Council has budgeted contingencies in place, £3.95m General Contingency and £3.25m specific contingencies including £2m for Adult Social Care, to meet the financial pressures currently being projected. Further, in response to the continuing pressures, pro-active work has been undertaken which has identified additional savings and use of one-off reserves. It is anticipated that due to this proactive, strong, in year financial management, the overall position will be within the budget set at year end.

- 4.1.6 It should be noted that since the last financial monitoring report, as presented to Cabinet on 6 January 2026, that budget virements have been actioned to reflect the agreed in year savings proposals. This has realigned budgets across service areas allocating additional investment of £4.3m to Adult Social Care therefore reducing the variation against ASC by the equivalent amount. The variations reported to Cabinet on 6 January 2026 have been restated in the table at 4.1.9 to reflect the virement so that movements between monitoring reports can be easily identified. The overall forecast for ASC expenditure is still in line with that shown in the previous monitoring report at £92m.
- 4.1.7 Before application of contingencies included in the revenue budget, the projected outturn position is currently expected to be over budget by £7.2m. 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 2025/26 including further actions to identify in year savings to address the in-year financial pressures.
- 4.1.8 Projections will continue to be refined as the year progresses. Whilst extremely challenging, the Council's aim is to deliver a year end position that is within the approved revenue budget.
- 4.1.9 A summary of the current projection for the year end position is:-

	£m
Net Revenue Budget	167.640
Projected Net Revenue Outturn	174.840
Projected Pressures	+7.200
Use of One-off Budgeted Contingency (earmarked for Social Care Pressures)	-2.000
Use of One-off Budgeted Contingency (earmarked for general pressures)	-1.250
Use of General Budget Contingency	-3.950
Projected Year End Variance i.e. net spend will be within budget	+0.000

- 4.1.10 There are a number of variations from the approved budget, detailed in Section 5. The key variance is Adult Social Care (ASC), with £9.48m additional investment expected to be needed by year end. The previous monitoring report had already highlighted the ongoing pressures in ASC linked to more people needing care for longer and increasing costs of care. During the year, there has been a sustained and significant increase in the number of new people who need long-term residential care, largely older people, although the rate of growth has slowed in September and October. This is the main cause of the movement in the ASC projection and reflects the challenge of a rapidly ageing population. Over the last census period, the percentage of people aged 65+ in Telford & Wrekin increased by 35.7% compared to 20.1% across England. These pressures are being mitigated by the ongoing delivery of in-year savings and cost avoidance in ASC, totalling more than £4.94m as at mid-November 2025. This continues the approach taken in 2024/25 focusing on preventing, reducing and delaying the need for care wherever possible, which successfully slowed the growth in expenditure over the year.

4.2 Capital

The capital programme totals £124.31m for 2025/26 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 Business Rates, Sales Ledger and Council Tax are currently 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 2025/26 monitoring position against the budget is summarised in the table below:

Service Area	Budget	Variation 6 Jan 2026 Cabinet (rebased for 2025/26 in year savings) £m	Movement £m	Total Current Variation £m
Finance, People & IDT	20.329	0.438	(0.114)	0.324
Policy & Governance	1.288	0.067	0.089	0.156
Adult Social Care	82.303	9.624	(0.527)	9.097
Housing, Commercial & Customer Services	5.956	(0.016)	0.016	0.000
Children's Safeguarding & Family Support	49.007	1.816	0.467	2.283
Education & Skills	13.849	0.733	0.022	0.755
Health & Wellbeing	0.893	(0.016)	0.043	0.027
Neighbourhood & Enforcement Services	32.078	(0.030)	0.004	(0.026)
Prosperity & Investment	(7.524)	0.249	0.000	0.249
Council Wide	(30.539)	(5.665)	0.000	(5.665)
Total	167.640	7.200	0.000	7.200
Use of Budgeted Contingencies				-7.200
Projected Year End Position				+0.000

- 5.2.1 Subsequent to the monitoring being presented to Cabinet on 6 January 2026, service area budgets have been re-presented to reflect the result of an in year savings exercise. The figures in above table have been restated to reflect the impact of the budget virement on the Variation which was presented to Cabinet.
- 5.2.2 Projected variances over £0.250m are highlighted below, all other variances over £50k are detailed in Appendix B.

Service Area	Variance £m
<u>Adult Social Care</u>	
Longer Term Care Purchasing – Whilst the long-term care purchasing budget is under significant pressure due to increasing demand and cost of care, the trajectory of growth has slowed in more recent months and compared to the rate of growth seen in periods 2-5. The level of growth is also lower than expected for this point in the year. The pressures are being mitigated by the ongoing delivery of savings and cost avoidance with a focus on a home first approach and delivering care which maximises prevention and independence. The position continues to be monitored closely as demand has historically been volatile, particularly during the winter period.	+10.451
Health Funding – funding contributions relating to clients with a health need.	+1.000
Income – anticipated to be higher than income targets.	-1.474
My Options – trading accounts – additional costs of staff cover.	+0.282
Learning Disability & Mental Health – Pressures include the use of agency staff, premises cost and carer posts.	+0.312
Service Wide – mainly staffing vacancies.	-1.061
<u>Housing Commercial & Customer Services</u>	
Income – use of Housing Prevention Grant to support services.	-0.727
Housing Subsidy – variation against budget for overpayments recovery plus reduction in loss of subsidy from supported accommodation.	-0.270

Service Area	Variance £m
<u>Children's Safeguarding & Family Support</u>	
Children in Care, Leaving Care Team & Speciality Services, Family Solutions:	
CIC placements, Post 18 Staying Put & Leaving Care Support – care costs have increased over the last 3 months with a number of high-cost placements resulting in a forecast overspend against budget.	+3.967
Health Funding – funding from ICB for cost of placements with health elements.	-1.354
Homelessness – relates to homelessness accommodation costs.	+0.530
Family Safeguarding – relates to increased pressure on legal expenses and assessment costs	+0.261
Income – additional grant income received	-0.588
<u>Education & Skills</u>	
Employee costs – additional costs due to inflationary pressures relating to historic teacher pension costs.	+0.300
<u>Prosperity & Investment</u>	
PIP Income – Impact of capital spend phasing which is being covered from £0.5m of the income contingency released in section 4.1.8. This income target will be met in future years as schemes are delivered.	+0.428
Wellington Market – Reduced rents being charged whilst development of the market is undertaken.	+0.245
Development Planning Income – Planning application fee pressure.	+0.231
BIT Income – fee pressure due to rephasing of capital works	+0.333
BIT Premises Costs - one off underspends due to various developments at Leisure sites and The Place.	-1.009
<u>Council Wide</u>	
Purchase Rebate – additional West Mercia Energy rebate.	-0.369

Service Area	Variance £m
Council Wide - various underspends, including higher than budgeted Business Rates Retention Section 31 grant, release of provision for savings and inflationary contingencies.	-3.935
Income – Planned used of Reserve.	-1.305

5.2.3 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 £130m in 2025/26. DSG deficits are currently required to be held in a separate reserve in local authorities' accounts.

Telford & Wrekin's DSG had a deficit of £4.66m at the end of 2024/25 which has carried forward into 2025/26. This was made up of £1.82m deficit carried forward from 2023/24 plus the 2024/25 in year overspend of £2.84m.

The deficit arises because of high needs budget pressures. This is a national issue, and most upper tier local authorities now carry a DSG deficit. The overall national DSG deficit is increasing - at the end of 2023/24 it amounted to £2.148bn and once 2024/25 data is released, this figure is expected to have increased substantially. In order to alleviate pressure on the 2025/26 high needs budgets, Telford & Wrekin's schools forum again agreed to transfer 0.5% of the schools block to high needs, amounting to £0.9m. This agreement illustrates the positive relationships with schools and other providers which are invaluable in assisting the Council to maintain budgetary control of DSG, whilst ensuring that we meet our responsibilities to young people.

The increase in the Government's 2025/26 high needs funding allocation to Councils, including Telford & Wrekin, is higher than in 2024/25, which will assist in meeting cost pressures. The Council has established a cost improvement plan to address high needs budget pressures and continues to work hard to tackle the high needs pressures in partnership with the Forum, schools and other providers of education. However, with continuing growth in demand for high needs support, the budget situation remains challenging. It is anticipated that the deficit will increase further, by up to £5m during 2025/26. There continues to be pressure throughout the high needs system, due to increasing numbers of children and young people needing additional educational support.

The way in which local authorities account for DSG deficits was altered in 2020. DSG deficits are now required to be held in a separate reserve in local authorities' accounts and are disregarded from the measure of local authority reserves. The period covered by these regulations has recently been extended and now applies up to 31 March 2028. Further detail on the future treatment of the DSG deficit is anticipated as part of the provisional Local Government Finance Settlement

later in the year. The pressure on DSG will continue as a result of rising demand, the SEND reform white paper due in early 2026 should provide more clarity around the position moving forward.

The position is being closely monitored and updates will be included in future reports when more information is known.

5.3 CONTINGENCIES, RESERVES & BALANCES

5.3.1 The 2025/26 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 £3.250m set aside specifically for Social Care pressures, PIP and other pressures.

The current projected position would require use of all contingencies.

5.3.2 The Budget Strategy Reserve remains unused during 2025/26 at £21.7m, and along with General Balance of £4.1m, is available should the further unforeseen costs materialise before year end.

5.4 CAPITAL

5.4.1 2025/26 Capital Programme

The 2025/26 capital programme totals £124.31m. The financial position is shown in the table below and shows projected spend at £123.0m which indicates that there will be some re-phasing into 2026/27 required at year end. The programme will continue to be monitored and updates brought in future reports.

Service Area	Approved Budget	Spend	% Spend	Projected Year End
	£m	£m		£m
Prosperity & Investment	69.79	47.17	67.59	69.58
Policy & Governance	0.07	0.03	41.67%	0.07
Education & Skills	18.00	10.85	60.28	17.99
Adult Social Care	0.09	0.00	0.00%	0.09
Neighbourhood & Enforcement Services	19.31	10.43	54.00	18.22
Hsg, Commercial & Customer Services	9.66	5.82	60.24	9.73
Finance, People & IDT	5.89	4.58	77.76	5.84
Corporate Items	1.50	0.00	0.00	1.51
Total	124.31	78.88	63.45	123.03

5.4.2 The 2025/26 capital programme is underpinned by 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 In summary, sales ledger collection is outside target, council tax is 1.38% behind target and NNDR collection is 0.22% behind target. Cash collection has increased for all income streams.

INCOME COLLECTION – Dec 2025				
	Actual	Target	Performance	Change in cash collected in year
Council Tax Collection	78.99%	80.37%	1.38% behind target	+£7.5m
NNDR Collection	82.16%	82.38%	0.22% behind target	+£2.0m
Sales Ledger outstanding debt	6.57%	6.00%	0.57% behind target	-£1.1m

6.3 **Council Tax (£130.0m)**

This measure represents 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 2024/25	97.1%
Year End Target for 2025/26	97.3%

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

Month End Target	Month End Actual	Last year Actual
80.37%	78.99%	79.74%

Collection rates are behind target and behind performance of last year. There are a number of reasons which are contributing to the drop in collection which include:

- The transition of benefit customers onto universal credit which alters the amount of council tax support they receive, resulting in larger bills
- The shift of more accounts onto 12 monthly instalments rather than 10, meaning that taxpayers are paying balances later in the year
- A national delay in the Valuation Office Agency (VOA) banding properties which is resulting in liability being raised later in the financial year.

Additionally, more summonses have been issued this year compared to last year, indicating that more people are struggling to pay. Work continues on analysing the drop in collection to enable us to put in place remedial measures.

6.4 NNDR-Business Rates (£85.9m)

This measure represents the percentage of business rates for 2025/26 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 2024/25	98.1%
Year End Target for 2025/26	98.1%

Month End Target	Month End Actual	Last year Actual
82.38%	82.16%	82.38%

Collection rates are slightly behind target and we are focusing on reducing some credit balances which will help collection rates going forwards.

6.5 Sales Ledger (£104.9m)

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 2025/26 are as follows:

	Annual Target %	Dec 2025	
		£m	%
Total	6.00	6.891	6.57

Sales ledger performance is outside of target, although debt has reduced significantly since the last financial monitoring report. Work continues on chasing older debt, particularly that owed by some larger organisations and adult social care clients which contributes to the majority of the debt.

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 prompt 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 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. There is also a legal requirement to ensure that the statutory service provision meets demands.

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, the impact of any proposed savings on the delivery of statutory services and any other legal matter arising.

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 2025/26 to 2028/29	Council 27/02/2025
2	2025/26 Financial Monitoring Report	Cabinet 17/07/2025
		Council 17/07/2025
3	2025/26 Financial Monitoring Report	Cabinet 06/11/2025
		Council 13/11/2025
4	2025/26 Financial Monitoring Report	Cabinet 06/01/2026

17.0 Appendices

Appendix A	Summary of 2025/26 Projected Variations
Appendix B	2025/26 Revenue Variations over £50,000

18.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Director	07/01/2026	08/01/2026	MLB
Finance	07/01/2026	07/01/2026	ER
Legal	07/01/2026	08/01/2026	RP