

TELFORD & WREKIN COUNCIL

**CABINET – 5 NOVEMBER 2020
FULL COUNCIL – 26 NOVEMBER 2020**

2020/21 FINANCIAL MONITORING REPORT

REPORT OF THE DIRECTOR: FINANCE & H.R. (CHIEF FINANCIAL OFFICER)

LEAD CABINET MEMBER: CLLR RAE EVANS

PART A) – SUMMARY REPORT

1.0 SUMMARY OF KEY ISSUES

2020/21 Revenue

The coronavirus pandemic (Covid-19) is continuing to have a huge impact across the country. The UK went into full-scale lockdown on March 23 in an unprecedented step to attempt to limit the spread of the disease. The easing of lockdown commenced in May but our community and many Council services clearly continue to face significant, unprecedented impacts and uncertainties with consequent financial implications on the Council's overall financial position.

After more than a decade of severe financial constraint due to Government grant cuts and increasing demand for many Council services, the Council is now facing significant additional financial pressures as a result of Covid-19. These pressures include increased costs, particularly relating to the provision of Social Care and safeguarding the most vulnerable in our community; the purchase of essential personal, protective equipment; income shortfalls relating to closed facilities and services; and projected income shortfalls in relation to Council Tax and Non Domestic Rates which are the key funding streams for the Council.

The total projected pressure is currently estimated to be around £26.9m (including projected council tax and business rates shortfalls). The Council has received £15.2m of Government National Emergency Response Funding which leaves a residual pressure of £11.7m. This is an improvement totalling £6.9m on the position reported to Cabinet in July as a result of considerable work by budget holders across the Council. The main reasons for this improved position include:-

	£'000
Additional funding received from Government since July Cabinet report prepared	(5,052)
Children's Safeguarding - Lower projection for placement costs for children in care, Post 18 Staying Put and Leaving Care Support, and the cost of agency staff. After this adjustment the additional investment required in to this service is £2.682m	(1,356)
Adult Social Care – various including lower projection for cost of care packages. After this adjustment the additional investment required in to this service is £4.798m	(765)
Property Investment Portfolio (PIP) income projection updated	(100)
BIT – updated assumption relating to reduction in fee income	(425)
Updated assessment of Housing Benefit Subsidy position	(238)
Updated projections for Leisure income shortfalls	+545
Updated projections for Arthog lost income	+389
Other variations	+91
Total improvement in overall position since the July Cabinet report	(6,911)

The overall in-year pressure of £26.9m referred to above includes projected service pressures totalling £18.9m together with an estimate for potential reductions to council tax and business rates income this year of £8m. This will result in a deficit balance carried forward to next year on the respective collection funds. The Government have announced that this deficit could, on an exceptional basis, be recovered over a three year period (2021/22 – 2023/24) rather than as would normally be the case fully recovered next year. However, it would be very desirable for the Council to make provision for this pressure during 2020/21 in order to avoid increasing the budget shortfall in future years given the very high level of uncertainty over future funding levels beyond March 2021.

Summary	£m
Projected total pressure on service budgets	18.9
add projected shortfalls relating to business rates and council tax	8.0
Total Pressure	26.9
Emergency Grant received from Government	(15.2)
Net Pressure	11.7

This position is a significant improvement on that reported to cabinet in July. Work is ongoing by both the finance team and service managers to update and refine financial projections as additional information becomes available and estimates will continue to be refined throughout

the remainder of the year. It must be recognised that there are still many uncertainties in what is still a very dynamic environment and the projected position will fluctuate. However, the Council has a long track-record of actively managing its financial position and due to its strong financial management over recent years and currently remains in a strong financial position. The above position does not include any assumed benefit from the Government's sales fees and charges income compensation scheme or use of the in-year budget contingency. £2m of the general contingency will remain available if the recommendations in this report are approved.

In addition, officers and Cabinet Members are undertaking a rigorous review of all reserves and provisions held by the Council to identify additional one-off funding to offset the remaining in-year budget pressure which should avoid the need for in-year budget savings measures to be implemented. A further report will be brought to Cabinet alongside the service and financial planning strategy in January seeking necessary approvals for this revised budget process when we will have further information to enable more accurate projections of the likely year end position to be made.

Clearly, there are a number of significant variations from the approved budget. As expected the majority of these relate to Covid-19:

Children's Safeguarding & Family Support – Children in Care Placement costs, such as additional children with complex needs coming into care and increased placement fees	£1.213m
Children's Safeguarding & Family Support – additional staffing costs	£0.455m
Education & Skills – additional home to school transport costs (pre and post 16)	£0.295m
Adult Social Care – increased costs to support care providers and clients	£3.458m
Adult Social Care – costs of short term reablement care	£2.911m
Waste collection and treatment	£0.350m
Purchase of essential Personal, Protective Equipment	£0.521m
Housing Benefit – impact of suspending the recovery of overpayments	£0.262m
Homelessness prevention costs	£0.399m
Income losses, such as	
- Property Investment Portfolio - rental income shortfalls	£2.029m
- Leisure income	£3.383m
- Theatre	£0.501m
- Car parking income	£0.486m
- Catering income	£0.333m
- Planning Fees	£0.400m
- Arthog	£0.895m
- My Options (Adults & Childrens)	£1.207m

Accurate projections for the likely financial position of the Council in future years are impossible at present. As well as the impact of Covid-19, Brexit and all the underlying complexities of managing the overall budget for an organisation delivering hundreds of different services to diverse client groups the funding outlook for the medium term is still very uncertain due to the impact of the planned major reforms to the Local Government Finance System now being deferred (to April 2022) and any information on Government funding levels beyond March 2021 still being unavailable. The Government's medium term Comprehensive Spending Review (CSR) which was expected in the autumn has been replaced by another one year Spending Review to be published late November which will set out national spending plans for Government departments for 2021/22 only. It is therefore likely to be very late in this calendar year before we receive our provisional funding settlement for next year. It is clear, however, that the financial climate ahead will still be one of significant financial challenge over the medium-term. It is therefore essential that the Council maintains its strategy of limiting new ongoing commitments to the very highest priorities and of retaining a higher level of funding in the Budget Strategy Reserve than would normally be the case as this provides a degree of comfort that the Council will continue to be able to avoid emergency in-year budget cuts.

1.2 **Capital**

The capital programme totals £80m for 2020/21 which includes all approvals since the budget was set. At the time of compiling this report projected spend was 90.6% of the budget allocation. Historically spend is geared towards the end of the year; the impact of Covid-19 will be closely monitored and projections updated as more information becomes available.

1.3 **Corporate Income Collection**

As anticipated, Covid-19 has impacted significantly on collection rates with income collected in relation to Business Rates, Council Tax and Sales Ledger all currently behind expected levels. As part of the range of support provided to residents and businesses, debt recovery action was suspended in March 2020; 'soft' reminders were issued during July and recovery action recommenced in August following the usual recovery cycle.

Council Tax - it is currently estimated that collection will be significantly lower in 2020/21 than previous years. 10,500 taxpayers also took the opportunity of deferred payment arrangements for April and May. A 6% reduction in income collection is currently expected for the year although projections are difficult as the impacts of the unwinding of the Government's furlough scheme are difficult to predict. In many cases payment arrangements can be agreed that will see recovery continuing beyond March 2021.

Business Rates – the total amount to be collected has reduced by almost £30m as a result of the Government providing a 1 year 100% business rates discount to the retail, hospitality and leisure sectors (the Council will be compensated for this in full by the Government). However, in view of the severe challenges being faced by many businesses as a result of the pandemic, it is estimated that collection will be significantly lower on the balance that has not benefitted from the Government’s relief measures. A 12.5% reduction in income collection is expected for the year but again payment arrangements extending into 2021/22 will be agreed in appropriate cases.

In total, the shortfall in Council Tax and Business Rates income this year is currently expected to be around £8m. However this position is regularly reviewed and it is hoped that a proactive and sensitive approach to debt recovery may reduce the shortfall by year end. Under normal circumstances this shortfall impacts on cash flow in 2020/21 and the budget in 2021/22 as it falls on the collection fund as a deficit but as explained above it is the current intention to provide against the shortfall in the current financial year.

2.0 RECOMMENDATIONS

Members are asked to:-

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| <ul style="list-style-type: none"> (i) Note the 2020/21 revenue budget position which has been significantly impacted by the Covid-19 pandemic (ii) Recommend that Full Council approve the allocation of the budgeted contingency and balances detailed in Section 5.1 (iii) Note the position in relation to capital spend and the recommendations that Full Council approve the changes to the capital programme detailed in Appendix 3 (iv) Note the projected collection rates for NNDR, council tax and sales ledger. |
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3.0 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Co-operative Council priorities?	
	Yes	Delivery of all priorities depend 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.
		Will the proposals impact on specific groups of people?
	No	
TARGET COMPLETION/DELIVERY DATE		To outturn within the budget set for 2020/21 at 31/3/21.
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	The financial impacts are detailed throughout the report.
LEGAL ISSUES	No	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.
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	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. The Council has comprehensive risk management arrangements in place, which includes a separate Covid-19 risk register which is reviewed and updated regularly by the Senior Management Team. A Recovery Coordinating Group has been establish to manage the transition from Covid-19 emergency response to a recovery, reform and reset phase and financial management is a key component of this with the s.151 officer represented on all thematic groups.
IMPACT ON SPECIFIC WARDS	No	

PART B) – ADDITIONAL INFORMATION

4.0 2020/21 REVENUE BUDGET

4.1 Financial management is the responsibility of budget holders and is supported by Finance staff using a risk based approach: following considerable reductions in finance resources through savings exercises in previous years, 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.

4.2 The overall 2020/21 budget position is summarised in the table below:

	Net Revenue Budget	Variation Cabinet 7 July 2020	Movement	Total Current Variations
	£'000	£'000	£'000	£'000
Prosperity & Investment	(4,620)	3,384	(527)	2,857
Finance & Resources	14,522	236	(202)	34
Policy & Governance	705	185	0	185
Children's Safeguarding & Family Support	36,318	3,802	(1,120)	2,682
Education & Skills	12,636	1,350	188	1,538
Adult Social Care	45,625	5,563	(765)	4,798
Health, Wellbeing & Commissioning	3,968	592	(4)	588
Neighbourhood & Enforcement Services	30,452	485	9	494
Communities, Customer & Commercial Services	3,163	4,664	459	5,123
Housing, Employment & Infrastructure	1,864	570	(101)	469
Corporate Communications	21	30	204	234
Council Wide	(15,680)	(124)	0	(124)
Overall Service Pressure	128,974	20,737	(1,859)	18,878
MoHCLG Grant		(10,144)	(5,052)	(15,196)
Total after Grant	128,974	10,593	(6,911)	3,682
Council Tax/Business Rates impact		8,037	0	8,037
Total including CT and Rates	128,974	18,630	(6,911)	11,719

4.3 Projected variances over £0.250m are highlighted below, all other variances over £50k are detailed in Appendix 2.

Service Area	Variance £m
<u>Property & Investment</u>	
Property Investment Portfolio – shortfall in rental income due to Covid-19. More information will be available when the	+2.029

<p>first quarter rent position is known and the monitoring will be updated to reflect this in the next report. The position is offset by a one-off contribution from reserves.</p> <p>Car Parks – income shortfall as a result of Covid-19 closures</p> <p>Planning Fees – estimated impact of slow-down in planning fee applications due to Covid-19. Projections will be kept under review.</p>	<p>+0.284</p> <p>+0.400</p>
<p><u>Children’s Safeguarding & Family Support</u></p> <p>Children In Care Placements – the number of residential placements has fallen over the past year, although the average cost of placements has risen. The strategy of increasing internal fostering has led to lower numbers and costs in external placements and overall there is a positive trend in relation to the cost of placements. However, the additional placements costs connected to Covid-19 as children with complex needs come into care as a result of pressure on families.</p> <p>Staffing – vacancies have to be covered by agency appointments which gives rise to an overall pressure on staffing budgets. As newly qualified social workers gain experience the need for additional agency staff should reduce as they can increase their caseload. Additional costs relating to Covid-19 is also factored into the projection.</p>	<p>+1.213</p> <p>+0.455</p>
<p><u>Education & Skills</u></p> <p>Arthog – challenging income targets together with the impact of Covid-19 which has prevented income generation which has extended into the Summer term. It is not clear when normal levels of activity will be possible and further losses are therefore expected since the last report.</p> <p>Home to School Transport – additional costs (pre and post 16)</p>	<p>+0.895</p> <p>+0.295</p>
<p><u>Adult Social Care</u></p> <p>Purchasing, Long Term Care – support provided to care providers and clients due to Covid-19 and anticipated pressures on levels of care needed.</p> <p>Purchasing, Short Term Reablement care – anticipated pressures during the year; £1.9m relates to contracts procured and reimbursed by the CCG for Covid-19</p>	<p>+3.458</p> <p>+2.911</p>

discharges.	
Income – overachievement of client contributions towards care.	-0.258
Income – NHS Contributions to offset care package costs where the client has health care needs.	-1.854
Income – CCG contribution to short term care-reablement and NHS England funding.	-0.988
My Options – reduced income from charges mainly for ASC clients plus loss of external income	+1.207
<u>Health, Wellbeing & Commissioning</u>	
Personal Protective Equipment – costs of purchasing PPE as a result of Covid-19	+0.521
<u>Neighbourhood & Enforcement Services</u>	
Waste Collection —additional vehicle and staffing costs due to Covid-19	+0.300
<u>Communities, Customer & Commercial Services</u>	
Leisure Operations – loss of budgeted income relating to closures required due to Covid-19.	+3.383
Catering – loss of income due to Covid-19 closures.	+0.339
Theatre – loss of income due to Covid-19 closure	+0.501
Housing Benefit Subsidy – impact of suspending recovery which recommenced in August	+0.262
<u>Housing, Employment & Infrastructure</u>	
Homelessness – costs associated with preventing homelessness during the Covid-19 pandemic.	+0.399

5.0 **CONTINGENCIES & BALANCES**

- 5.1 The 2020/21 budget includes a general contingency of £3.2m, which is set aside to meet any unforeseen expenditure, or delays in phasing in the significant level of savings that the Council has to deliver this year. Clearly it is still very early in the financial year and many other challenges are likely to arise for the Council during the remaining

months of 2020/21, it would not therefore be prudent to allocate the full contingency at this mid-way point in the year. However, one priority is now put forward for funding and if approved would leave £3m in the general contingency to cover pressures in the remainder of the year:-

£0.2m to pump-prime the creation of Community Action Teams to support an all-encompassing offer for town and parish councils looking for an enhanced service in the following areas:

- Neighbourhood enforcement
- Grounds & cleansing
- Area engagement/locality officer (liaison, inspection and reporting)

In addition to the general contingency, an amount is also held centrally for contractual inflation totalling just under £1m which forms part of the approved revenue budget and will only be allocated to specific budgets when the relevant inflation information is available. The Council also has General and Special Fund Balances. It is proposed to allocate additional contract inflation of £0.077m from the inflation contingency for the waste contract and to use £0.2m Special Fund Balances to invest in footway lighting improvements in 2020/21.

6.0 **CAPITAL**

6.1 **2020/21 Capital Programme**

The capital programme totals £80.47m, which includes the approvals proposed in this report. The financial position is shown in the table below which shows projected spend is currently at £72.94m.

Directorate	Current Budget £m	Spend to date £m	% Spend £m	Year End Projection £m
Prosperity & Investment	31.51	10.02	31.8%	29.76
Policy & Governance	0.09	-	0.0%	0.06
Education & Skills	9.13	0.79	8.7%	8.16
Adult Social Care	0.24	0.04	14.8%	0.21
Health, Wellbeing & Commissioning	0.07	-	0.0%	0.07
Neigh'hood & Enforcement Services	23.97	9.72	40.6%	23.27
Cities, Customer & Commercial	5.13	1.12	21.9%	4.24
Housing, Employment & Infrastructure	7.44	1.32	17.7%	5.07
Corporate Items	2.88	0.10	3.3%	2.10
Total	80.47	23.11	28.7%	72.94

6.2 The 2020/21 capital programme relies on £9.129m of 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.

7.0 **CORPORATE INCOME MONITORING**

7.1 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. 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. In response to the pandemic, the Council suspended usual recovery action and has, since recovery action recommenced in August, adopted a proactive and supportive approach to debt recovery.

7.2 As anticipated, Covid-19 has impacted significantly on collection rates with income collected in relation to Business Rates, Council Tax and Sales Ledger all currently behind expected levels. Summary collection information is below.

Income Collection – September 2020	
	Actual
Council Tax - Amount Collected	52.48%
NNDR - Amount Collected	55.52%
Sales Ledger – Level of Outstanding Debt	7.77%

7.3 **Council Tax (£92.2m)**

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.

Year End performance 2019/20 97.03%

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

Month End Actual	Last year Actual
52.48 %	54.96 %

Recovery action was suspended in March 2020 due to the COVID 19 pandemic. Deferred payment arrangements were offered and 10,500 taxpayers took this opportunity. The lower collection rates are therefore partly attributable to the later instalments which began in June. Recovery action recommenced at the end of July by sending a 'soft' reminder, and normal recovery processes recommenced at the end of August.

A 6% drop in collection is anticipated this year.

7.4 **NNDR-Business Rates (£48.1m)**

The % of business rates for 2020/21 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.

Year End performance 2019/20 97.58%

Month End Actual	Last year Actual
55.52 %	57.59 %

The amount collectable has reduced by almost £30m as a result of the Government providing a 1 year 100% discount to those businesses in the retail, hospitality and leisure sectors. Recovery action was suspended in March 2020 due to the COVID 19 pandemic but recommenced at the end of August.

We are assuming a loss of collection of 12.5% in-year as businesses have been severely impacted by the COVID 19 crisis. Clearly, the next few months will have a significant impact upon the business sector and collection rates.

7.5 **Sales Ledger (£56.4m)**

This includes general debt and Social Care debt. Debt below 2 months is classified as a normal credit period.

Performance of income collection for 2020/21 is as follows:

Age of debt	Sept 2020	
	£m	%
Total	4.382	7.77%

Sales Ledger recovery was suspended in March 2020 and recommenced in August 2020. Debt outstanding is £1.7m higher than this point last year, but has reduced from last month.

8.0 **PREVIOUS MINUTES**

05/03/2020 – Council, Service & Financial Planning Strategy

18/06/2020 - Cabinet, 2019/20 Outturn Report

09/07/2020 – Cabinet, 2020/21 Financial Monitoring Report

16/07/2020 – Full Council, 2020/21 Financial Monitoring Report

9.0 **BACKGROUND PAPERS**

2020/21 Financial Ledger reports

2020/21 Service & Financial Planning Report

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