

**Committee and Date**Transformation & Improvement Scrutiny  
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Item

Public



## Financial Monitoring Period 1

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<b>Cabinet Member</b> (Portfolio Holder):	Cllr Gwilym Butler, Finance, Corporate Resources and Communities		

### 1. Synopsis

The Council has, for the first time, published a finance report for Period 1. This exceptionally early insight provides Cabinet with assurance that actions are being taken and demonstrates effective systems are in place, reflected in this relatively positive start to the year.

### 2. Executive Summary

- 2.1. The Council, in line with other local authorities, has never produced a Financial Monitoring Report as early as Period 1 before. The reasons for this are entirely practical but given the exceptional financial position Shropshire Council is managing this year, early insight into the year ahead is essential.
- 2.2. The practicalities of producing a meaningful monitoring report from data up to 30 April require a risk assessed approach to be taken with a focus on high level, material, and impactful financial information. Management action over periods 1 and 2 is listed below, ahead of a detailed quarter 1 (period 3) report being produced in the familiar format.
- 2.3. The Period 1 Monitor cannot, of course, provide certainty. Its fundamental aim is to provide an early insight into whether the unprecedented actions being undertaken

by the Council this year have the potential to secure financial survival, initially, and then a path to financial sustainability.

2.4. The key financial issues highlighted by this report are:

- a) Projected savings delivery is currently estimated at £9.668m (15.47%) with a further £38.419m (61.49%) having at least indicative plans in place. **Combined, this is already a potential level of delivery of £48.087m (76.9%) against the savings target of £62.480m.** This is undoubtedly a good start but still leaves a gap in excess of £14m, which is not sustainable.
- b) **A forecast spend variance over budget of £29.006m.** While this forecast triangulates accurately with the developing position for savings delivery and reflects the best information currently available, spending beyond budget to this extent is not a sustainable position. The overall position must be to manage to within (or close to) available budget in all areas. Substantial growth was confirmed by Council to address the pressures identified 2023/24, which will help a balanced position to be achieved.
- c) **An initial General Fund Balance of £38.821m** as a result of combining the brought forward balance of £8.237m with the budgeted contribution to balances of £30.584m. **The forecast spend variance of £29.006m results in a general fund balance at the end of the year of £9.815m.** Again, while representing progress against the balances seen in 2023 and in 2024, use of reserves at that level is not a sustainable outcome. Several substantial risks will continue to be faced during the coming year, and the available £38m must be protected to mitigate those risks rather than offsetting under-delivery of agreed savings.

2.5. Leadership actions

<p>Actions undertaken through period 1 (April)</p>	<p>Engagement with Directorate Leadership Teams (DLTs) to ensure visibility and consistency of all financial information and analysis tools as the new year gets under way.</p> <p>Setting up necessary financial management and monitoring tools for the 2024/25 financial year, including</p> <ul style="list-style-type: none"> <li>- Dashboard made available to relevant officers to present the latest budget data as a 'single version of the truth' through which financial performance can be understood</li> <li>- Reconciliation of budget dashboard data back to the budget book approved by council to ensure complete alignment and accuracy</li> <li>- Setting out position statements including growth and savings allocations for all substantive service blocks, also reconciled to the budget dashboard and signed off by managers</li> <li>- Dashboard for all savings made available to relevant officers in order to be able to analyse and review savings delivery in a variety of different ways</li> <li>- Savings tracking being set up for all savings lines to capture expected financial delivery profiles, including narrative on progress, issues, and variances.</li> <li>- Oversight by Senior Managers, all having access to the entire dashboard.</li> </ul>
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	<p>Delivering briefings to all relevant officers on the current overall position and how the dashboards described above relate to monthly financial management cycles and reporting.</p> <p>Confirmation of the financial outturn for 2023/24 and any resulting impacts to be considered in delivery of 2024/25 financial objectives.</p> <p>Production and timely publication of Period 1 Report to Cabinet including:</p> <ul style="list-style-type: none"> <li>• Review of savings delivery line by line in MTFS</li> <li>• Projected outturn by high level service area</li> <li>• Summarised projected outturn by Directorate</li> <li>• Identification of overall projected outturn for the Council, considered to be the 'floor'</li> <li>• Impact on General Fund Balance identified to establish financial survival.</li> </ul>
<p>Actions to be delivered through period 2 (May)</p>	<p>DLTs to lead ongoing and enhanced updates to the savings delivery information (which is then automatically uploaded to the savings dashboard).</p> <p>DLTs to lead identification of service areas needing further review and any mitigating actions necessary arising from the budget dashboard as at period The objective is the achievement of budget delivery plans with minimal (less than £5m) net variance to budget.</p> <p>Progression of necessary decisions via Cabinet is planned to support delivery of savings targets through the year.</p> <p>Completion of early work to set out the expectation of the 'resizing' work across the Council with production and confirmation of estimates to follow approval by Cabinet to implement a new Target Operating Model. Initial work focusses on the Voluntary Redundancy programme, review of agency spend and appropriate removal of vacancies.</p> <p>Production and publication of Period 2 Report to Cabinet including (as period 1 above plus):</p> <ul style="list-style-type: none"> <li>• Automated publication of savings delivery line by line in MTFS directly from the dashboard</li> <li>• More detailed review of the overall projected outturn for the Council to produce a revised 'floor' and 'ceiling', thereby creating a 'control corridor' for further reporting ahead of the detailed quarter 1 report.</li> </ul>

### 3. Recommendations

It is recommended that Cabinet Members:

- 3.1. Note that the position set out in the report reflects the best information available after the first 4 weeks of the year (with c90% of the year remaining), and hence considerable uncertainty in these early estimates which will be taken forward as a 'floor' position. P2 will be expected to help set out a 'ceiling' position, resulting in a 'control corridor' which can be considered in future reports.
- 3.2. Note that at the end of Period 1 (30th April 2024), the indicative level of savings delivery is £47.907m (77%), resulting in a projected spend over budget of £29.006m for 2024/25.
- 3.3. Note the projected General Fund Balance of £9.815m for 31 March 2025 if the projected spend over budget is realised.

## Report

### 4. Risk Assessment and Opportunities Appraisal

- 4.1. A more regular review of the emerging financial position for the year is an essential part of the risk management approach of the council during the coming year.
- 4.2. The level of savings delivery and financial pressures in the current year are a recognised risk for the 2024/25 budget, and continued focus and action are being put in place to address this.
- 4.3. Risk table

<i>Risk</i>	<i>Mitigation</i>
That management actions required to bring the budget into balance do not yield the results being targeted, leading to a larger pressure on the general fund balance.	To further enhance reporting and action planning on financial performance through Directorate Management and Chief Officer teams.
Insufficient reserves to cover projected overspending or other deficits	Improved budget preparation process with more analysis of current and future activity trends. Modelling of current and future reserves levels, including both earmarked and unearmarked, against likely levels of pressure and impact on securing the desirable level of unearmarked (general) reserves. Review of ways in which further funds can be brought into unallocated general fund balances and reserves to support balance sheet repair and reserves improvement with the aim to retain a General Fund Balance within the range of £15m to £30m.

## 5. Financial Implications

- 5.1. This report sets out the first financial projections for the Council in the 2024/25 Financial Year. A summary of the key elements for managing the Council's budget are detailed elsewhere in this report.

## 6. Climate Change Appraisal

- 6.1. The Council's Financial Strategy supports its strategies for Climate Change and Carbon Reduction in several ways. A specific climate change revenue budget is held. The climate change schemes involving the Council's assets or infrastructure are included within the capital programme. These two areas of expenditure are anticipated to have a positive contribution towards climate change outcomes.
- 6.2. Securing a robust and sustainable financial base will help the Council meet the challenges of climate change – this is not separate to our budget management, but integral to it, as set out in the objectives of The Shropshire Plan and our aim to secure a Healthy Environment.

## 7. Forecast Outturn and Implied General Fund Balance

- 7.1. The Council, in line with other local authorities, has never produced a Period 1 Financial Monitoring Report before This is mainly for practical reasons – there is only one month of data, that small amount of data is impacted by carry forwards and brought forwards from the previous financial year that are being worked on over the April and May period, and the Finance Team are focussed on closing down the previous year, providing little time to produce projections for the remaining eleven months of the new financial year.
- 7.2. At Period 1 (April1 – April 30), the Council is initially reporting a forecast overspend by year end of £29.006m.
- 7.3. Table 1 below summarises the position by directorate (see also Appendix 1), including latest projections on funding.

**Table 1: Projected Outturn by Directorate**

Directorate	Revised Budget (£'000)	Projected Outturn (£'000)	(Under)/Overspend (£'000)	RAGY Classification
Health & Wellbeing	1,055	1,201	145	R
People	220,312	227,724	7,413	R
Place	72,343	84,494	12,151	R
Resources	4,740	7,948	3,207	R
Strategic Management Board	281	(29)	(310)	Y
<b>Service Delivery Budgets</b>	<b>298,731</b>	<b>321,338</b>	<b>22,607</b>	
Corporate	(37,034)	(30,635)	6,399	R
<b>Net Expenditure</b>	<b>261,697</b>	<b>290,703</b>	<b>29,006</b>	
<b>Funded By:</b>				
Council Tax	(205,104)	(205,104)	0	G
Business Rates	(41,306)	(41,306)	0	G
Top Up Grant	(10,925)	(10,925)	0	G

Directorate	Revised Budget (£'000)	Projected Outturn (£'000)	(Under)/Overspend (£'000)	RAGY Classification
Revenue Support Grant	(7,974)	(7,974)	0	G
Collection Fund (Surplus)/Deficit	3,612	3,612	0	G
<b>Funding</b>	<b>(261,697)</b>	<b>(261,697)</b>	<b>0</b>	
<b>Total</b>	<b>0</b>	<b>29,006</b>	<b>29,006</b>	

- 8.3 The key area of concern at this early stage of the financial year is the level of savings delivery projected. Further details on the projected level of savings delivery is detailed in section 9 below.
- 8.4 The 2024/25 budget includes a £30.584m contribution to the General Fund Balance. Table 2 details the projected General Fund Balance following this budgeted contribution, but also includes the impact on the Balance should the spend over budget of £29.006m materialise.

**Table 2: General Fund Projection**

General Fund Balance	£'000
Balance Brought Forward 1 April 2024	8,237
Budgeted Contribution 2024/25	30,584
2024/25 estimated spending above budget (as projected at P1)	(29,006)
<b>Balance as at 31 March 2025</b>	<b>9,815</b>

## 8. Savings Delivery

- 8.1. The current summary position on savings delivery is shown in Figure 1 below (note the 'delivered' values are included within, and not additional to, the 'Projected Delivery' values).

**Figure 1: Saving Delivery in 2024/25**

<b>£62,479,970</b> Savings Target	<b>£6,205,575</b> Delivered	<b>£9,668,099</b> Projected Delivery	<b>£38,419,301</b> Indicative Plans	<b>£14,392,570</b> Not Yet Planned
	9.93% % Delivered	15.47% % Projected Delivery	61.49% % Indicative Plans	23.04% % Not Yet PLanned

## 9. Capital Receipts Delivery

- 9.1. The Council generally uses capital receipts to help the capital programme, however the Council is also planning to utilise capital receipts to help fund transformation costs and any costs of restructuring services during the course of 2024/25.
- 9.2. The anticipated level of capital receipts required for 2024/25 is circa £30m. Current estimates show projected receipts of £27m, however it should be noted that £7.6m of this projection has been RAG rated Red at this time. Therefore, it is important that delivery of capital receipts is carefully planned.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Financial Strategy 2024/25 – 2028/29, Council 21<sup>st</sup> March 2024

Financial Rules

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**Local Member:** All

**Appendices**

Appendix 1 – 2024/25 Projected Revenue Outturn by Service

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**APPENDIX 1****2024/25 PROJECTED REVENUE OUTTURN BY SERVICE**

Directorate/ Service	Budget (£'000)	Forecast Outturn at Period 1	Forecast Variance at Period 1	Outline of Variation to Budget
<b>People</b>				
Adult Social Care	131,587	136,370	4,783	Plans are in development for savings of £4.533m, linked to the development of the Council's new Target Operating Model (TOM). A £0.249m pressure relating to transport costs will be reviewed as part of period 2 monitoring and an updated included in that report.
Children's Social Care and Safeguarding	63,321	68,158	4,836	The variance is driven by £1.932m projected spend over budget on Fostering (the majority relating to external fostering (£1.802m), and £1.448m staffing costs overspend, where vacant posts are filled using (more costly) agency staff. Other pressures include £0.795m overspend on External Residential Placements and £0.320m in the Disabled Children's Team.
Early Help, Partnerships and Commissioning	3,288	3,388	100	Largely on budget overall, but with some underlying variances.
Learning and Skills	23,377	25,211	1,834	Projected spend over budget largely due to £1.742m Home to School Transport, specifically SEND-related transport.
People Directorate Management	(1,261)	(5,402)	(4,141)	Overachievement of the budget is due to several savings lines being current attributed to this area prior to reallocation against savings included in budgets elsewhere in the directorate.
<b>People Total</b>	<b>220,312</b>	<b>227,724</b>	<b>7,413</b>	<b>3.3%</b>
<b>Place</b>				
Commercial Services	35,774	40,663	4,891	Savings plans in development for £4.088m; delivery plans are also in development.
Economy and Place	5,835	7,236	1,401	Savings plans in development for £0.317m relating to the TOM. Current performance on income from Planning Applications is lower than anticipated (£0.432m pressure). Other savings lines also in development.
Highways and Transport	15,263	20,752	5,490	Plans in development for savings of £1.578m. Winter maintenance release from reserve applied, but less available than anticipated (£1.2m pressure), recharge to capital for Place (budget £1.500m) to be confirmed. Kier Contract savings target £2.000m, currently forecasting £0.400m achievable, pressure £1.6m.
Homes and Communities	14,935	16,024	1,089	Plans in development for savings of £1.235m.
Place Directorate Management	520	(199)	(719)	Savings targets showing as overachieved by £0.719m here, to be allocated wider across the directorate at Period 2.
<b>Place Total</b>	<b>72,343</b>	<b>84,494</b>	<b>12,151</b>	
<b>Resources</b>				
Workforce and Improvement	78	435	358	Plans are in development for savings of £0.599m. This cost pressure is currently offset by in-year vacancy management savings (£0.101m) across Workforce & Improvement.
Finance and Technology	3,270	4,216	946	Plans are in development for savings of £0.953m alongside service-related savings of £0.454m. Some savings are contingent on a wider decision over how Temporary Accommodation provision is arranged in the future. There are also vacancy management savings across Finance and ICT that are reducing the projected overspend by £0.461m
Legal and Governance	669	723	54	Plans are in development for savings of £0.121m alongside service-related savings of £0.156m. One off savings of have been identified from vacancy management (£0.223m). Considerable pressure continues in the childcare legal team relating to care proceedings.
Pensions	177	177	0	No variance to budget at Period 1.
Resources Directorate Management	10	1,535	1,525	Plans are in development for savings of £1.236m, as well as £0.289m of in year pressures which will be reviewed in P2.
<b>Resources Total</b>	<b>4,204</b>	<b>7,087</b>	<b>2,883</b>	
<b>Health &amp; Wellbeing</b>				
Public Health	417	417	0	No variance to budget at Period 1.
Regulatory Services	639	784	145	Plans are in development for savings of £0.144m.
<b>Health &amp; Wellbeing Total</b>	<b>1,055</b>	<b>1,201</b>	<b>145</b>	
<b>Strategic Management Board</b>				



Directorate/ Service	Budget (£'000)	Forecast Outturn at Period 1	Forecast Variance at Period 1	Outline of Variation to Budget
Chief Executive and PAs	21	(117)	(139)	One off savings of £0.122m have been identified from vacancy management to be incorporated within longer term savings plans.
Programme Management	260	89	(172)	Net underspending forecast at present.
Communications and Engagement	536	861	325	Plans are in development for savings of £0.664m, currently offset by one off savings of £0.339m which have been identified from holding vacancies.
<b>Strategic Management Board Total</b>	<b>817</b>	<b>832</b>	<b>15</b>	
<b>Corporate</b>				
Corporate Budgets	(37,034)	(30,635)	6,399	Plans are in development for savings of £4.250m. Options on how these can be delivered moving forwards are being investigated. Additional savings held in corporate budgets pending allocation to specific areas (£3.000m).
<b>Corporate Total</b>	<b>(37,034)</b>	<b>(30,635)</b>	<b>6,399</b>	
<b>Total Net Expenditure</b>	<b>261,697</b>	<b>290,703</b>	<b>29,006</b>	