



Committee and Date

Cabinet
30th November 2022

Performance Management
Scrutiny Committee
30th November 2022

Item

Public

Financial Monitoring 2022/23 Quarter 2

**Responsible
Officer**

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1. Synopsis

The Council's projected financial position at Quarter 2 is still demonstrating a challenging position with ongoing cost pressures in Adult Social Care and Children's Social Care alongside the impact of inflation.

2. Executive Summary

2.1. This report estimates the Council's year end position based on information over the period 1st April 2022 to 30th September 2022.

2.2. The key issues highlighted by this report are that:

- Revenue: The projected revenue outturn position is estimated (by use of a 'control corridor') to be an overspend of between £4.138m and £17.506m, with a 'best estimate' of £10.998m. The lowest overspend shown within the control corridor would leave the General Fund balance as at 31st March 2023 below the recommended level, but still viable.
- Focussed management action across all areas is being taken and will continue over the coming months, to manage the uncertainty and bring the budget closer to overall balance. This includes maximising and accelerating the delivery of planned savings.
- Capital: The projected capital outturn is £121.025m, in line with the current budget with current capital expenditure of £42.126m, (35% of the budget at Quarter 2, with 50% of the year elapsed).
- In 2022/23, 2023/24 and 2024/25, capital receipts are currently projected to be lower than those required for the programme.

Urgent action is required to bring to market those assets identified for disposal in both the current and future years.

- 2.3. The forecast revenue outturn overspend of £10.998m at Quarter 2 compares with a forecast overspend of £9.373m at Quarter 1. Although in-year savings have been identified almost across the board within the rest of the Council, the position for adult and children's social care has deteriorated significantly. See appendix 1A for details of the movement between Quarter 1 and Quarter 2.

3. Recommendations

- 3.1. It is recommended that Members:

- A. Note that at the end of Quarter 2 (30th September 2022), the full year revenue forecast is a potential overspend of between £4.138m and £17.506m, with best estimates indicating an overall overspend of £10.998m;
- B. Considers the detrimental impact of this on the Council's General Fund balance and mitigating actions urgently required to avoid this.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1 The management of the Council's Budget is a key process in ensuring the strategic risks are mitigated and the Council can carry out the business as intended and planned for within The Shropshire Plan. The current economic climate in the UK presents specific risks including the changes to the bank rate and the pressures from inflation which require active management. The Council is also experiencing locally the nationally reported shift in the labour market which is making recruitment more difficult. Actions are being put in place to ensure that our employment offer is attractive within the market and well publicised.

5. Financial Implications

- 5.1. This report sets out the financial projections for the Council in the 2022/23 Financial Year. Full details of projected spend in both the revenue and capital budgets are detailed in section 8-12 of this report.

6. Climate Change Appraisal

- 6.1. The Council's Financial Strategy supports its strategies for Climate Change and Carbon Reduction in a number of ways. A specific climate change revenue budget is held and spend is included in Appendix 1 to this report. The climate change schemes involving the Council's assets or infrastructure are included within the capital programme of which further detail can be found within Appendix 7.

7. Background

- 7.1 Budget monitoring reports are produced quarterly for Cabinet and the budget position is reported monthly to Executive Directors, highlighting the anticipated year end projection.
- 7.2 The monitoring reports track progress against agreed budget decisions, consider any budget changes (including re-profiling on Capital), forecast any significant variances to the budget, and enable corrective action to be taken to ensure a balanced budget at year end.
- 7.3 Council approved the Financial Strategy 2022/23 – 2026/27 on 24 February 2022 which outlined the revenue and capital budget for 2022/23. Since that date there have been a number of factors that have specifically impacting on the 2022/23 financial year. These include:
- Increased inflationary pressures
 - Work on short term budget savings
- 7.4 As a result, a review of the Financial Strategy was considered at Cabinet on 20th July 2022. This showed that the inflationary pressures identified for 2022/23 were anticipated to be offset by the short term budget savings identified, and this report builds on these projections, following the first 6 months of transactions in this financial year.

8. Projected Revenue Outturn

- 8.1 At Quarter 2 (Period 6), the Council is reporting a forecast overspend of £10.998m. Table 1 below summarises the position by directorate (see Appendix 1A and 1B), including latest projections on funding. A breakdown of the projected outturn by portfolio holder is detailed in Appendix 1C.

Table 1: Projected Revenue Outturn

Directorate	Revised Budget (£'000)	Forecast Outturn (£'000)	(Under)/Overspend (£'000)
People	181,327	192,847	11,520
Place	62,881	68,049	5,167
Resources	24,894	23,510	(1,384)
Health and Wellbeing	1,307	1,139	(168)
Strategic Management Board	715	699	(16)
Service spending	271,124	286,244	15,119
Corporate Budgets	(46,507)	(50,628)	(4,121)
Total net spending	224,617	235,616	10,998

Funded By:			
Council Tax	(180,285)	(180,285)	0
Business Rates	(36,844)	(36,844)	0
Top Up Grant	(10,031)	(10,031)	0
Revenue Support Grant	(6,450)	(6,450)	0
Collection Fund (Surplus)/Deficit	8,994	8,994	0
Total Funding	(224,616)	(224,616)	
Total Overall	0	10,998	10,998

8.2 The majority of the current forecast overspend can be summarised as:

- £6.0m budget pressures in Adult Social Care
- £5.7m budget pressures in Children's Social Care and Safeguarding
- £5.1m unachieved savings within the Place directorate, largely relating to Corporate Landlord, Property and Development
- £1.3m inflationary budget pressures across the Place directorate, including increased fuel and utility costs and increased contract costs
- Offset by (£7.1m) underspends across the Council, principally through vacancy management savings, increased Treasury

Management income (interest receivable) and release of MRP budgets.

9. Income

- 9.1 The revenue budget is funded by £250.7m of income including specific government grants and retained local taxation receipts and £81.6m of income through discretionary fees and charges (included in service area net spending). Appendix 2 provides analysis of the current projection of specific government grant income by directorate, including any new allocations, and highlights the current delivery of income through fees and charges charged in services.

10. Savings

- 10.1 The savings projections for 2022/23 have been RAG rated and are presented in Appendix 3. This includes both savings agreed as part of the 2022/23 budget strategy and additional tactical budget savings. These projections show that 57% of the 2022/23 savings required have been rated as green.

Table 2: Savings Delivery in 2022/23

Directorate	Red (£'000)	Amber (£'000)	Green (£'000)	Total (£'000)
Corporate Budgets	0	0	50	50
Health and Wellbeing	0	0	209	209
People	485	0	2,545	3,030
Place	5,105	0	3,608	8,713
Resources	50	0	633	683
Strategic Management Board	0	0	0	0
Tactical Budget Savings	3,435	0	5,045	8,480
Total Savings	9,073	0	12,101	21,175

11. Reserves

- 11.1 The 2022/23 budget strategy included a contribution of £4.028m to the General Fund balance which would then reach £15.550m, which is a safer level given the current profile of external financial risks. This is shown in the table below, and in appendix 5.
- 11.2 If the current projected overspend is not mitigated by appropriate management action and actually occurs, it would need to be funded from the General Fund balance, resulting in an outturn level of £4.552m.
- 11.3 This is an unsafe level for this balance to reach, as it would limit the ability of the council to mitigate any further unforeseen shocks such as ongoing inflationary increases, climate events such as flooding and drought, or reductions in available resources due to changed national policy.

General Fund	£'000
Balance as at 1 st April	11,522
Budgeted Contribution in 2022/23	4,028
Resulting Balance	15,550
2022/23 Current Projected Outturn (this report)	(10,998)
Potential General Fund Balance as at 31st March	4,552

12. Capital

12.1 The current capital programme and actual spend is detailed in Table 3 below, including updated projections on financing of the programme. Further detail is provided in Appendix 7.

Table 3: Projected Capital Programme Outturn

Directorate	2022/23 Revised Capital Programme (£'000)	2022/23 Actual Spend (£'000)	2022/23 % Budget Spend (£'000)	2023/24 Capital Programme (£'000)	2024/25 Capital Programme (£'000)
Health and Wellbeing	-	-	-	-	-
People	29,213	4,872	16.68	15,935	3,000
Place	73,381	34,523	47.05	82,841	43,616
Resources	485	26	5.42	1,000	-
Total General Fund	103,079	39,421	38.24	99,776	46,616
Housing Revenue Account	17,946	2,705	15.07	23,915	19,139
Total Capital Programme	121,025	42,126	34.81	123,691	65,755
Financed By:		*			
Borrowing	33,355			29,142	21,857
Government Grants	40,520			75,349	26,261
Other Grants	6,281			57	-
Other Contributions	20,197			5,261	4,300
Revenue Contributions to Capital	4,820			791	3,309
Major Repairs Allowance	4,090			4,828	4,828
Capital Receipts	11,762			8,263	5,200
Total Financing	121,025			123,691	65,755

* Actual financing of the capital programme is determined at closedown based on the constraints of specific funding and the relative advantage and disadvantage of different general funding types.

12.2 The current capital programme assumes a level of capital receipts to finance the capital programme. Without these, the council may need to borrow externally, which would be more costly. Appendix 8 summarises the current capital receipt position and highlights both opportunities to secure receipts and the risk of increased revenue costs in future years.

13. Housing Revenue Account (HRA)

- 13.1 At Quarter 2 (Period 6), the HRA is projecting a minor overspend of £0.084m (0.42% of gross budget) due to reduced projected dwellings rent.

14. Dedicated Schools Grant (DSG)

- 14.1 Although there is a (£0.504m) surplus reported against the central allocation of Dedicated Schools Grant (DSG), which is used to fund educational services provided on a Council wide basis to support all schools, this underspend will be retained on the balance sheet for use in future years. The majority of the underspend (£0.426m) relates to the High Needs Block of DSG.
- 14.2 Significant growth has been allocated to the High Needs Block in 2022-23. While the expenditure continues to increase year on year, the forecasted spend has not increased by as much as the increase in funding. For example, post 16 FE College placements saw the budget increased by £0.581m in anticipation of significant growth in numbers of pupils and expenditure, however we are currently reporting a (£0.409m) underspend against this budget.

15. Financial Management

- 15.1 Key indicators of financial management can be examined through the management of routine financial transactions that the Council undertakes on a day-to-day basis.
- 15.2 In paying suppliers, the Council has adopted a no Purchase Order, no pay process which ensure that transactions are only processed with a valid, authorised purchase order, thereby ensuring prompt payments to suppliers on receipt of invoice.
- 15.3 Another key indicator of financial management is the level of aged debt that the Council is managing. These indicators are tracked over the course of the financial year to monitor progress. The indicators as at Quarter 2 are detailed in Appendix 9.

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

Financial Strategy 2022/23 – 2026/27
Financial Rules
Financial Monitoring Report Quarter 1 2022/23

Cabinet Member (Portfolio Holder)

Gwilym Butler – Portfolio Holder – Finance and Corporate Resources

Local Member

Appendices

Appendix 1A – 2022/23 Projected Revenue Outturn by Service
Appendix 1B – 2022/23 Detailed Projected Revenue Outturn by Service
Appendix 1C – 2022/23 Projected Revenue Outturn by Portfolio Holder
Appendix 2 – 2022/23 Income Projections
Appendix 3 – Delivery of 2022/23 Savings Proposals
Appendix 4 – Reconciliation of Monitoring Projections to Savings Delivery
Appendix 5 – Amendments to Original Budget 2022/23
Appendix 6 – Reserves 2022/23
Appendix 7 – Projected Capital Programme Outturn 2022/23 – 2024/25
Appendix 8 – Projected Capital Receipts
Appendix 9 – Financial Management Indicators

APPENDIX 1A

2022/23 PROJECTED REVENUE OUTTURN BY SERVICE

Directorate / Service	Forecast Outturn Variance at Q1	Revised Budget at Q2*	Forecast Outturn at Q2	Forecast Outturn Variance at Q2	Movement from Q1 to Q2	Reasons for Movement
	£'000	£'000	£'000	£'000	£'000	
Corporate Budgets	(2,047)	(46,507)	(50,629)	(4,121)	(2,075)	
Health and Wellbeing						
Public Health	(14)	(268)	(349)	(81)	(67)	Additional one-off grants applied to staff costs
Regulatory Services	(124)	1,575	1,488	(87)	37	Minor variations
Health and Wellbeing Total	(139)	1,307	1,139	(168)	(29)	
People						
Directorate Management	75	648	713	65	(10)	Minor variations
Adult Social Care	1,340	114,222	120,236	6,013	4,673	Continuation of high level of reablement expenditure following hospital discharges (over and above funding available), lack of domiciliary care packages available resulting in new clients being placed in short-term residential settings at increased cost, and new and increased supported living packages
Housing Services	623	4,017	4,017	0	(623)	Additional Housing Benefit income received, and increased allocation of Homes for Ukraine grant towards service costs
Children's Social Care and Safeguarding	2,437	43,931	49,655	5,724	3,287	Increased residential and fostering placement costs, due to increased number of looked after children (increase of 38 since 1st April)
Children's Early Help, Partnerships and Commissioning	(82)	2,508	2,287	(221)	(139)	Additional vacancy management savings built in, due to delays in recruiting to posts
Learning and Skills	212	16,001	15,939	(62)	(274)	Discontinuation of temporary uplift to home to school transport contract prices
People Total	4,605	181,327	192,847	11,520	6,915	

Place						
Directorate Management	8	365	393	28	19	Minor variations
Commercial Services	4,987	528	5,105	4,577	(410)	Use of repairs and maintenance reserve to fund additional reactive expenditure in year
Economy and Place	897	2,726	2,924	198	(699)	Increased planning income received, and improved trading position for Shrewsbury Shopping Centres
Infrastructure	622	52,241	52,184	(57)	(679)	Increased streetworks and car parking income received, and reduced forecast winter maintenance expenditure
Homes and Communities	982	7,021	7,444	422	(560)	Shareholder return to be received from Cornovii Developments' first scheme
Place Total	7,496	62,881	68,049	5,167	(2,328)	
Resources						
Directorate Management	4	277	282	5	0	No movement
Workforce and Improvement	(71)	3,611	3,331	(280)	(209)	Additional vacancy management savings identified
Finance and Technology	(359)	12,213	11,753	(460)	(101)	Savings identified against ICT budgets
Legal and Governance	(51)	5,580	5,173	(407)	(356)	Additional vacancy management savings identified
Treasury and Pensions	3	(82)	(88)	(5)	(8)	Minor variations
Communications and Engagement	(52)	3,295	3,060	(235)	(183)	Additional vacancy management savings identified
Resources Total	(526)	24,894	23,510	(1,384)	(857)	
Strategic Management Board						
Chief Executive and PAs	(16)	711	695	(16)	0	No movement
Programme Management	0	3	3	0	0	No movement
Strategic Management Board Total	(16)	715	699	(16)	0	
Council Total	9,373	224,616	235,615	10,998	1,625	

*Budgets exclude non-controllable costs, internal market and corporate landlord recharges

APPENDIX 1B

DETAIL BY SERVICE AREA

Directorate	Revised Budget* £	Forecast Outturn £	Variance £
Corporate Budgets	(46,507,050)	(50,628,537)	(4,121,487)
Health and Wellbeing	1,307,040	1,138,869	(168,171)
People	181,326,750	192,846,703	11,519,953
Place	62,881,100	68,048,583	5,167,483
Resources	24,893,940	23,510,365	(1,383,575)
Strategic Management Board	714,520	698,743	(15,777)
Total	224,616,300	235,614,726	10,998,426

*Budgets exclude non-controllable costs, internal market and corporate landlord recharges

CORPORATE BUDGETS	Full Year		
	Budget £	Forecast £	Variance £
Total	(46,507,050)	(50,628,537)	(4,121,487)

Corporate Budgets	(46,507,050)	(50,628,537)	(4,121,487)
The interest receivable budget is expected to deliver additional income of (£2.230m) due to changes in the Bank of England base rate, increased from 1.25% to 1.75%. The current estimates are based on assumptions of the value of investment balances. The MRP budget is expected to deliver one-off in year savings of (£1.300m). Of this, (£1.000m) is the result of releasing budget held for potential additional MRP costs from new projects. (£0.300m) is as a result of changes in actual borrowing requirements identified during the 2021-22 closedown. Savings of (£0.513m) are expected against interest payable budgets, however recent Bank of England base rate increases will have an impact on borrowing rates going forward; i.e. it will be more expensive to borrow. The interest payable budget does not include any new external borrowing. The interest payable budget includes the current fixed term debt charges only.			

HEALTH AND WELLBEING	Full Year		
	Budget £	Forecast £	Variance £
Total	1,307,040	1,138,869	(168,171)
Regulatory Services	1,574,980	1,487,899	(87,081)
The underspend is due to a vacant posts within the Health Protection Team and a significant review and redesign of the service to optimise capacity, resilience and performance. The new structure has now been developed with recruitment to all posts, providing confidence internally and externally (to the Food Standards Agency), that the service has an appropriate establishment for meeting statutory Official Food Control targets moving forward. Underspends occurred due to delays in filling vacant posts. In the interim, and to assist with meeting existing food inspection targets, EHO Food Safety Consultants were appointed, funded from that underspend.			
Non Ring Fenced Public Health Services	232,420	151,330	(81,090)
The favourable variance is due to the application of Contain Outbreak Management Funding, where resources have been diverted to this initiative.			
Ring Fenced Public Health Services	(500,360)	(500,360)	0
No variance from budget as at Quarter 2.			
PEOPLE	Full Year		
	Budget £	Forecast £	Variance £
Total	181,326,750	192,846,702	11,519,952
People Directorate Management	648,190	713,116	64,926
There is a £0.065m overspend within the Adult Services Director cost centre that relates to a one-off legal cost.			
Adult Social Care Business Support and Development	2,706,580	2,575,451	(131,129)
(£0.132m) underspend within Adult Social Care Business Support. (£0.042m) relates to a one-off underspend on a contract. The remaining underspend relates to staffing.			
Adult Social Care Management	978,680	850,774	(127,906)
Underspensing due to staff vacancies. Five service manager posts are vacant - one is being covered by agency staff and longer-term recruitment is taking place to cover all vacancies with the anticipation that all will be recruited to by Quarter 3. This is having an impact on delivery across the service. Recruitment expenses are offsetting some of the underspend.			
Adult Social Care Provider Services	2,413,430	2,410,981	(2,449)
Minor variance from budget as at Quarter 2.			
Adult Social Care Operations	108,123,530	114,398,441	6,274,911

£6.470m overspend across the purchasing budget offset by some smaller variances as per below.

- £3.522m overspend on reablement net expenditure. Forecast expenditure of £10.809m is partly offset by NHS/ICB funding of (£7.287m). Up until 31st March 2022 national guidance dictated that discharge to assess would be funded by Covid monies via Health partners. Activity within the hospital has not reduced which has led to this financial pressure along with discharge funding ending; increased market costs and complexity of clients. The service is mitigating this risk by implementing a new operating model to assessing the service users within this cohort with an aim to reduce the need for care and support which is anticipated to reduce expenditure forecast.

- £2.211m unachieved income (client contributions to care costs). At budget setting we assumed a small increase in contribution per service user, however due to the increase in the minimum income guarantee, new service users' contributions have not increased as much as anticipated.

- £1.940m overspend on new and increased supported living packages. This overspend is driven by the level of complexity of service users' needs, and work is underway to remodel the service to better meet those needs.

- £0.165m overspend on spot purchasing costs. Initial forecasts indicated an estimated pressure of £3.163m due to 6% fee rate increase being agreed from 1st April but only 2% being budgeted for. This pressure has been offset with corporate reserves, meaning that the net pressure of £0.165m is additional to the £3.163m ongoing budget pressure.

Other variations:

- (£0.342m) overachieved continuing healthcare income.
- (£1.028m) one-off usage of reserves.
- £0.162m overspend on telecare equipment maintenance; this will need to be looked at to set a realistic budget as costs are likely to increase as we support more people at home.
- £0.077m overspend on void supported living costs, where the lease costs of a property are not covered by tenants' Housing Benefit income due to the property being empty.
- £0.058m overspend within transport services
- (£0.493m) underspend within the staffing budget due to challenges in recruiting to vacant posts.

Housing Services	4,016,710	4,016,710	(0)
No variation from budget as at Quarter 2.			
Children's Social Care and Safeguarding	43,930,790	49,654,869	5,724,079

- £1.567m overspend on staffing due to agency social workers (39.7 FTE) covering staff vacancies (recruitment and retention in children's social work staffing is a nationally recognised issue).
- £1.513m overspend on residential and fostering placement costs, notably external residential spot placements which has seen an increase of 9 placements (from 36 to 45) in the 6 months to 30th September.
- £1.103m overspend relating to other costs such as transport recharges and taxi costs (£0.475m), legal/barrister fees (£0.176m), medical assessments, and interpreting fees. These costs have increased in line with the increase in demand.
- £0.480m overspend in the Disabled Children's Team (excluding staffing). £0.311m of this overspend relates to bespoke, short term care packages of prevention and support for disabled children. This is an area which has seen a significant increase in demand. High-cost home care packages for disabled children are in some cases a short term alternative to placing a child in a long term residential placement. The remaining £0.169m relates to direct payments for disabled children. Although £0.222m growth was built in to the 2022/23 budget, the increase in numbers of children requiring support has been greater than anticipated. This is as well as an increase in the number of support hours per child, which indicates an increase in complexity.
- £0.425m overspend in the Leaving Care Team (excluding staffing). £0.348m of this overspend relates to accommodation costs for care leavers and allowances paid to care leavers, reflecting an increase in the number of children staying in relatively high cost supported accommodation placements beyond their 18th birthday.
- £0.373m overspend on the Council's five internal residential children's homes. The majority of this overspend is due to increased demand for additional hours/overtime from the existing residential staff teams in response to an increase in complexity of the children accommodated in these homes. There has also been increased demand for crisis provision and outreach work.
- £0.262m overspend in Adoption Services. £0.121m relates to Adoption Allowances, where there has been an increase in forecast expenditure in 2022/23. £0.110m forecast overspend relates to the budget for intra agency adoption placements where the Council has paid inter agency fees for adoption placements with voluntary adoption agencies. The remaining balance relates to staffing budget pressures on the Together4Children - Local Permanency Hub in relation to post adoption support and Together4Children - Central Permanency Hub in relation to temporary agency cover, where there have been challenges in recruiting to a critical post due to a lack of suitable candidates.

The service is adopting a number of strategies to address the current budget pressures, particularly around residential placements and agency social workers. These include investing in the Council's internal foster carers and reviewing terms and conditions for social work staff to ensure Shropshire's pay and conditions are competitive with neighbouring local authorities. It is important to note that while the service recognises that the current budget pressure needs to be addressed, an independent review of Children's Services finances found that Shropshire has consistently allocated a lower proportion of available resource to children's social care, whilst still delivering a good Ofsted rating.

Children's Early Help, Partnerships and Commissioning

2,508,160

2,287,343

(220,817)

The forecast underspend is due to delays in recruiting staff to new posts. (£0.198m) of this forecast underspend relates to the Council's 3 family hubs, (£0.018m) to the Parenting team and (£0.014m) to the Not in Education, Employment or Training (NEETS) team.

Learning and Skills	16,000,680	15,939,018	(61,662)
• £0.220m estimated overspend on home to school transport caused by increased costs paid to all external providers over the Summer Term. • (£0.288m) underspend against staff related budgets (teachers' pension compensation payments).			

PLACE	Full Year		
	Budget £	Forecast £	Variance £
Total	62,881,100	68,048,583	5,167,483

Director of Place	364,880	392,625	27,745
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Minor variance from budget as at Quarter 2.

Assistant Director Commercial Services	136,150	146,540	10,390
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Minor variance from budget as at Quarter 2.

Corporate Landlord, Property and Development	968,150	4,907,338	3,939,188
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- £2.021m commercial savings now unachievable due to market conditions.
- £1.442m delay in achievement of Commercial Savings due to revised office accommodation plans.
- £1.391m delay in achievement of 'Efficiencies within administrative buildings' relating to the closure of Shirehall and Mount McKinley and the use of the Guildhall. The savings are due to be achieved in full by 2026-27 when Council moves to new Multi-Agency Hub in Shrewsbury town centre.
- £0.747m pressure projected as a result of unbudgeted inflationary pressures across utilities and maintenance, offset by one-off (£0.412m) draw down from reserves.
- £0.109m additional valuation costs have been incurred.
- (£0.916m) in year savings resulting from unused MRP and enabling budgets,
- One-off income of (£0.364m) is forecast to be generated across the estate
- Delays between vacant posts being appointed to due to market issues is resulting in a projected (£0.107m) salary underspend.

Commercial Services Business Development	(103,180)	43,284	146,464
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The variance in this area is the result of unachieved commercial income and savings.

Climate Change	513,970	476,180	(37,790)
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Minor variance from budget as at Quarter 2.

Shire Services	(986,910)	(468,551)	518,359
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Shire Catering has a forecast overspend £0.537m. This is due to a reduction in income as a result of a number of clients seeking alternative provision for their school meals service.

Shire Cleaning has a forecast underspend of (£0.019m).

Assistant Director Economy & Place	256,810	260,156	3,346
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Minor variance from budget as at Quarter 2.

Planning Services	489,520	582,651	93,131
The main reason for the service variance is additional costs (staff resource) of £0.085m for the Building Control service in dealing with enforcement issues and dangerous structures.			
Economic Growth	910,920	910,920	0
No variance from budget as at Quarter 2.			
Broadband	125,220	125,220	-
No variance from budget as at Quarter 2.			
Planning Policy	647,190	647,190	(0)
No variance from budget as at Quarter 2.			
Shrewsbury Shopping Centres (Commercial)	(234,900)	(181,839)	53,061
The budgeted surplus is not forecast to be achieved in full in the current year. This is due to adverse trading conditions in the retail sector which have been worsened by the recent national economic changes (inflation, increased utilities costs).			
Advice from the shopping centre's managing agent is that overall financial viability is enhanced through maximising occupancy. This has been achieved (currently 98% of trading space has been let) but, to achieve that, some commercial concessions have been negotiated by clients with the managing agent. It is expected by the council that overall market conditions will improve over the next 12-24 months, with a resulting improvement in the trading position of the centre. In the meantime, the local area continues to benefit from an active local retail offer including many independent traders, and with a positive economic outlook through the medium term.			
Shrewsbury Shopping Centres (Development)	530,900	579,571	48,671
Minor variance from budget as at Quarter 2.			
Assistant Director Infrastructure	241,680	205,831	(35,849)
Minor variance from budget as at Quarter 2.			
Environment and Transport	7,696,680	8,023,205	326,525
Net parking income is projected to be lower than budget; currently income is estimated to be underachieved by £0.305m, mainly resulting from demand still being lower than pre-pandemic levels, amendments and concessions to existing policies and delays in market availability to implement new charging strategies.			
Highways	11,152,440	10,286,598	(865,842)
There are three main reasons for the forecast position:-			
• The Streetworks team seeks to minimise disruption to the highways network and will penalise organisations that fail to complete their interventions in accordance with their permit to operate. Net income for this service area is anticipated to be (£0.457m) greater than budget. • Winter maintenance expenditure has been reviewed in comparison with previous years' expenditure, and forecast expenditure has reduced by (£0.228m). • An energy saving of (£0.195m), resulting from the LED streetlights already installed. This is currently delivering a saving of 5% compared to the 2022/23 budget.			
Waste Management	33,150,180	33,667,881	517,701

Inflation of the waste PFI contract is determined in January of the previous financial year, and in January 2022 RPI and RPIx were 7.7% and 8%. The inflationary growth included in the budget (determined during the autumn of 2021) was 5.5%, and therefore there is an ongoing inflationary budget pressure relating to this contract, in the region of £0.450m. Further to this, initial estimates for the year of landfill tonnages and additional payments required due to an increase in the number of households in Shropshire are prudent.

Assistant Director Homes and Communities

108,750

263,296

154,546

The Shropshire Local initiative is projected to incur unbudgeted costs of £0.126m from the centre located in the Darwin Shopping Centre.

Housing Development and HRA

27,190

(559,637)

(586,827)

Following completion of Cornovii Developments Ltd's first scheme, the overage payment to the Council (as shareholder) resulting from the scheme is greater than anticipated and budgeted for.

Bereavement Services

165,960

167,274

1,314

Minor variance from budget as at Quarter 2.

Registrars and Coroners

217,880

293,418

75,538

There is a forecast overspend of £0.076m at Quarter 2, £0.030m of which relates to the Coroners service and is due to an increase in the demand for postmortems, and £0.047m is due to a staff restructure and necessary IT upgrading.

Trading Standards and Licensing

1,425,790

1,319,929

(105,861)

There is a forecast underspend of (£0.106m) which is largely due to staff vacancies.

Head of Culture, Leisure & Tourism

456,750

443,749

(13,001)

Minor variance from budget as at Quarter 2.

Arts

61,500

62,996

1,496

Minor variance from budget as at Quarter 2.

Shropshire Hills AONB

(5,870)

(5,870)

(0)

No variance from budget as at Quarter 2.

Outdoor Partnerships

1,062,450

1,007,857

(54,593)

Delays in the recruitment to vacant posts have led to the favourable variance at Quarter 2. It is not anticipated that these delays will have a detrimental impact on the service.

Leisure

1,509,390

2,078,211

568,821

The adverse variance is primarily due to the following factors:

- £0.202m Increased cost of renegotiated SERCO contract, due to market factors.
- £0.214m Additional costs as a result of closure of the Quarry swimming pool.
- £0.266m pressure on Council-operated Leisure centres (loss of income and increased staff costs).
- £0.038m legal and consultant fees.
- (£0.142m) Funding from Public Health to support delivery Leisure.

Libraries

2,114,030

2,172,062

58,032

There is a forecast overspend of £0.058m for Libraries at Quarter 2. This relates to unachieved savings of 0.074m and increased costs of £0.012m partially offset by additional income of (£0.028m).

Museums and Archives

737,130

900,496

163,366

There is a forecast overspend of £0.163m for Museums at Quarter 2. The majority of the overspend (£0.116m) relates to Acton Scott Working Farm, which is currently closed, resulting in forecast lost income of £0.143m, which is offset slightly by savings on employee and other costs of (£0.022m).

Theatre Services

(859,550)

(699,998)

159,552

There are currently some concerns over admissions at the Theatre and Old Market Hall (either as a continued effect of the pandemic and/or the cost of living crisis). This, combined with increasing costs is anticipated to have a significant net impact on the service, currently estimated at £0.160m for 2022/23. This position has significantly improved upon previous monitoring and reflects the hard efforts being made to improve the financial outturn for the service.

RESOURCES

Full Year

**Budget
£**

**Forecast
£**

**Variance
£**

Total

24,893,940

23,510,365

(1,383,574)

Resources Management Team

276,830

281,586

4,756

Minor variance from budget as at Quarter 2.

Automation and Technology

6,673,900

6,487,818

(186,082)

Savings have been identified on ICT system budgets.

Finance

4,032,540

3,758,193

(274,347)

There have been net savings identified across the Revenues and Benefits teams of (£0.260m) in relation to vacancies within the teams due to issues with recruiting staff to the vacant positions, and in relation to recharging staff to externally funded grant projects. There are currently 5 vacant officer positions and 8 vacant apprenticeship posts. There are recruitment activities ongoing to fill these posts where possible.

There have been workforce pressures in relation to additional responsibilities within the team for administering new grants such as Test and Trace Support grants, and energy rebates. This has resulted in the need for existing staff to work additional hours and to bring in additional resources from agencies to support the team to deliver business critical activities, although this is additional cost is funded by administration elements of the grant funding and from savings on vacant posts.

There is currently ongoing recruitment activity particularly focused on filling the 8 apprenticeship posts within the teams. If successful, this will help to create a pool of experienced staff for the future to fill future vacancies and to aid with succession planning.

A net underspend of (£0.014m) is forecast within Finance, due to staffing savings and additional income generation.

Housing Benefits

1,507,020

1,507,020

-

No variation from budget as at Quarter 2.

Business Improvement: Data, Analysis and Intelligence

878,470

864,443

(14,027)

Minor variance from budget as at Quarter 2.			
Human Resources and Organisational Development	2,760,410	2,558,405	(202,005)
Human Resources Advice Team is forecasting £0.011m net budget pressure due to lost income from SLAs relating to maintained schools and unachieved income targets to increase external income generation. Income targets have been difficult to meet due to loss of resources within the team, however the majority of the resulting budget pressure has been offset by underspends on staffing. Income relating to staff secondment recharges has been achieved (£0.018m) in Human Resources Business Partners. The team is currently undergoing a full-scale restructure of the services. This is currently resulting in an underspend on staff costs of (£0.202m) due to in year vacancies. These will all be filled moving forwards. Overall there is a forecast underspend of (£0.174m) relating to Human Resources Business Partners. There are further forecast underspends of (£0.025m) relating to Payroll Services (as a result of vacancy management) and (£0.012m) relating to Corporate Training.			
Risk Management and Insurance	(80,770)	(143,576)	(62,806)
Savings of (£0.063m) are currently forecast within the Insurance Team, largely as a result of a Claims Handler vacancy. This post has previously been advertised and not filled. The post is currently out for recruitment and may be filled later in the year, decreasing the anticipated saving.			
Scrutiny	52,870	51,508	(1,362)
Minor variance from budget as at Quarter 2.			
Commissioning Development and Procurement	348,400	320,193	(28,207)
Minor variance from budget as at Quarter 2.			
Legal Services	2,475,430	2,256,080	(219,350)
Delays in recruiting to vacant posts are leading to a forecast underspend of (£0.219m) in Legal Services. A proportion of the underspend on staffing will be required to fund additional external legal costs relating to children's social care (legal child care), however a significant net underspend is forecast in year.			
Democratic Services	1,578,060	1,523,010	(55,050)
There is a forecast underspend of (£0.021m) in Democratic Representation, as a result of savings on mileage and subsistence budgets. Committee Services has a forecast underspend of (£0.018m) largely due to a vacant post within the team that was not filled until the end of August. Members' Services has a forecast underspend of (£0.013m) due to in year savings on IT budgets.			
Elections	427,660	427,123	(537)
Minor variance from budget as at Quarter 2.			
Audit and Information Governance	750,200	646,409	(103,791)
Due to staff turnover within the Audit team, there are currently underspends forecast due to vacancies of (£0.203m). This is partly offset by additional expenditure of £0.086m on agency staff to support the team. The current level of vacancies is not sustainable and recruitment activity is in progress.			
Treasury and Pensions	(82,190)	(87,619)	(5,429)

Minor variance from budget as at Quarter 2.

Communications & Engagement	3,295,110	3,059,774	(235,336)
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There are expected net savings of (£0.230m) across Customer Services. These are as a result of a number of posts held vacant. A proportion of the staff budget savings are being reallocated to support the creation of a 24/7 out of hours support service within the Safer Communities Coordination Team.

STRATEGIC MANAGEMENT BOARD

Full Year

**Budget
£**

**Forecast
£**

**Variance
£**

Total

714,520

698,743

(15,777)

Chief Executive & PAs

711,060

695,283

(15,777)

Minor variance from budget as at Quarter 2.

Programme Management

3,460

3,460

-

No variance from budget as at Quarter 2.

APPENDIX 1C

2022/23 PROJECTED REVENUE OUTTURN BY PORTFOLIO HOLDER

Portfolio Holder	Revised Budget* £'000	Forecast Outturn £'000	Variance £'000
Leader and Portfolio Holder Policy and Strategy, Improvement and Communications	4,010	3,759	(251)
Deputy Leader and Portfolio Holder Climate Change, Environment and Transport	41,355	42,161	806
Portfolio Holder Adult Social Care and Public Health	118,619	124,616	5,997
Portfolio Holder Growth and Regeneration	1,870	6,030	4,160
Portfolio Holder Children and Education	62,440	67,881	5,442
Portfolio Holder Finance and Corporate Resources	(32,461)	(37,530)	(5,070)
Portfolio Holder for Health (Integrated Care System) and Communities	5,574	6,689	1,115
Portfolio Holder Culture and Digital	7,678	7,477	(200)
Portfolio Holder Highways and Regulatory Services	15,532	14,530	(1,002)
TOTAL	224,616	235,615	10,998

*Budgets exclude non-controllable costs, internal market and corporate landlord recharges

APPENDIX 2

2022/23 INCOME PROJECTIONS

Specific Government Grants

The revenue budget for 2022/23 includes specific Government Grants of £250.760m. The majority of these budgets will be based on known allocations that the Government has announced for Shropshire Council. However during the course of the financial year, the Council will also bid for additional grant funding to support activities and so the value of Government Grants received in the financial year may be different to the budgeted figure. An analysis of specific Government Grants is provided in the table below:

Government Grants		Revised Budget £'000	Forecast Outturn £'000	Variance £'000
Corporate Budgets				
	Business Rate Retention Scheme – s31 Grants	(16,647)	(16,647)	0
	Social Care Support Grant	(12,620)	(12,620)	0
	Improved Better Care Fund	(11,863)	(11,863)	0
	Rural Service Delivery Grant	(6,941)	(6,941)	0
	New Homes Bonus	(4,651)	(4,651)	0
	Other Grants	(6,382)	(6,382)	0
Total Corporate Budgets		(59,104)	(59,104)	0
Health and Wellbeing				
	Public Health Grant	(12,426)	(12,775)	(349)
	Other Grants	(216)	(312)	(96)
Total Health and Wellbeing Grants		(12,642)	(13,087)	(445)
People				
	Dedicated Schools Grant	(105,555)	(105,555)	0
	Pupil Premium Grant	(3,668)	(3,668)	0
	Improved Better Care Fund	(1,967)	(1,967)	0
	Independent Living Fund	(1,512)	(1,512)	0
	Other Grants**	(3,223)	(9,965)	(6,742)
Total People Grants		(115,925)	(122,667)	(6,742)
Place				
	Waste - PFI	(3,186)	(3,186)	0
	Other Grants	(1,841)	(2,630)	(789)
Total Place Grants		(5,027)	(5,816)	(789)
Resources				
	Mandatory Rent Allowances: Subsidy	(49,000)	(49,000)	0
	Rent Rebates: Subsidy	(8,047)	(8,047)	0
	Other Grants	(1,015)	(5,369)	(4,354)
Total Resources Grants		(58,062)	(62,416)	(4,354)
Strategic Management Board		0	0	0
TOTAL		(250,760)	(263,090)	(12,330)

**The additional grants forecast to be received and applied in 2022/23 include an additional £5.0m for Homes for Ukraine (People directorate), and £4.2m in Household Support Fund (Resources directorate).

Income from Fees and Charges

The forecast income from discretionary sales, fees and charges is showing a projected shortfall, mainly in client contributions within Adult Social Care Operations and trading income within Commercial Services. Some of this reduction in income has been offset by a contribution from earmarked reserves. Further work will be undertaken within these services to generate additional income to offset these projected shortfalls, or expenditure will be reduced accordingly.

Fees and Charges Income	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
Corporate Budgets	(1,301)	(3,170)	(1,869)
Health and Wellbeing			
Directorate Management	0	0	0
Public Health - Non Ringfenced	(221)	(194)	27
Public Health - Ringfenced	(5)	(4)	1
Health and Wellbeing Total	(226)	(198)	28
People			
Directorate Management	0	0	0
Adult Social Care Management	0	0	0
Adult Social Care Business Support & Development	(3,753)	(3,668)	85
Adult Social Care Provider Services	(1,187)	(992)	194
Adult Social Care Operations	(21,889)	(19,637)	2,278
Housing Services	(378)	(294)	138
Children's Social Care and Safeguarding	0	0	0
Children's Early Help, Partnerships and Commissioning	0	(3)	(3)
Learning and Skills	(1,821)	(1,883)	(63)
People Total	(29,029)	(26,472)	2,557
Place			
Directorate Management	0	0	0
Commercial Services	(17,136)	(16,089)	1,047
Economy and Place	(8,104)	(7,894)	210
Homes and Communities	(10,192)	(9,710)	482
Infrastructure	(10,334)	(10,532)	(198)
Place Total	(45,766)	(44,225)	1,541
Resources			
Directorate Management	0	0	0
Workforce and Improvement	(682)	(638)	44
Finance and Technology	(4,426)	(4,244)	182
Legal and Governance	(127)	(128)	(1)
Communications and Engagement	(55)	(61)	(6)
Organisation Performance	0	0	0
Treasury and Pensions	(26)	(26)	0
Resources Total	(5,316)	(5,097)	219
Strategic Management Board	0	0	0
TOTAL	(81,638)	(79,162)	2,476

APPENDIX 3

DELIVERY OF 2022/23 SAVINGS PROPOSALS

2.1 Summary

The savings projections for 2022/23 have been RAG rated in order to establish the deliverability of the savings and any potential impact on the outturn position for the 2022/23 financial year. RAG ratings have been categorised as follows:

Red – Savings are not solved on an ongoing basis, nor have they been achieved in the current financial year. These are reflected as unachieved within this monitoring report.

Amber – Savings have been identified on an ongoing basis in the current financial year, however there is no clear evidence to support the delivery as yet. The projected outturn within this report assumes these savings will be delivered.

Green – Savings have been identified on an ongoing basis in the current financial year, with evidence of delivery. The RAG ratings are updated monthly to determine progress on delivery.

The table below summarises the position as at 30th September 2022.

Directorate	Red (£'000)	Amber (£'000)	Green (£'000)	Total (£'000)
Corporate Budgets	0	0	50	50
Health and Wellbeing	0	0	209	209
People	486	0	2,545	3,030
Place	5,103	0	3,610	8,713
Resources	50	0	634	684
Strategic Management Board	0	0	9	9
Tactical Budget Savings	3,435	0	5,045	8,480
Total Savings	9,073	0	12,101	21,175

The update to the Financial Strategy considered the need to identify tactical budget savings to address the inflationary budget pressures projected for the 2022/23 financial year following the invasion of Ukraine.

The total tactical budget savings identified was £8.5m and delivery against these savings plans are included in the table above alongside those approved at Council in February 2022.

A breakdown of the savings rated red is provided below.

Ref	Directorate	Service Area	Description	Financial Year Saving Originally Required	2022/23 Saving Value (£'000)	Value Rated Red (£'000)
AS6	People	Adult Social Care Operations	Adult Social Care - Review of double handed care	2022/23	210	192

Cabinet 30th November 2022; Performance Management Scrutiny Committee 30th November 2022
 – Financial Monitoring 2022/23 – Quarter 2

CW2	People	Adult Social Care Provider Services	Adult Social Care - Increase to fees and charges income	2022/23	6	6
AS12	People	Adult Social Care Operations	Adult Social Care - Review care provider contract arrangements	2022/23	119	119
AS15c	People	Adult Social Care Operations	Adult Social Care - Review pre-placement framework	2022/23	70	70
2A37R	People	Housing Services	Increased Housing income	2020/21	132	99
PS5	Place	Economic Growth	Enhanced income through commercial activity in Natural & Historic Environment teams	2022/23	40	40
CW2	Place	Homes & Communities	Leisure - Increase to fees and charges income	2022/23	22	22
CW2	Place	Homes & Communities	Theatre Services - Increase to fees and charges income	2022/23	197	160
PS12	Place	Infrastructure	Review of parking charges	2022/23	350	350
P33	Place	Corporate Landlord, Property and Development	Raise additional income from new development	2022/23	27	27
P35	Place	Corporate Landlord, Property and Development	Efficiencies within administrative buildings	2022/23	2,000	1,205
P39	Place	Corporate Landlord, Property and Development	Raise income from investment in assets	2021/22	1,672	1,259
P39	Place	Corporate Landlord, Property and Development	Raise income from investment in assets	2022/23	2,000	2,000
H16	Place	Trading Standards and Licensing	Increase parking enforcement functions in line with the parking strategy	2020/21	40	40

RS9	Resources	Human Resources and Organisational Development	Increase Human Resources and Development income generated from commercial activities	2022/23	50	50
Tactical Budget Savings				2022/23	8,480	3,435
TOTAL					15,414	9,073

APPENDIX 4

RECONCILIATION OF MONITORING PROJECTIONS TO SAVINGS DELIVERY

Directorate	Q2 Forecast £'000	Savings Pressure in 2022/23 (£'000)	Ongoing Pressures Identified * (£'000)	Additional Ongoing Savings Identified (£'000)	One Off Pressures Identified (£'000)	One off Savings Identified (£'000)
Corporate Budgets	(4,121)	0	0	0	184	(4,306)
Health and Wellbeing						
Public Health	(81)	0	0	0	0	(81)
Regulatory Services	(87)	0	0	0	0	(87)
Health and Wellbeing Total	(168)	0	0	0	0	(168)
People						
Directorate Management	65	0	0	0	90	(25)
Adult Social Care	6,013	386	7,624	0	3,545	(5,542)
Housing Services	0	99	0	0	0	(99)
Children's Social Care and Safeguarding	5,724	0	618	0	8,264	(3,157)
Children's Early Help, Partnerships and Commissioning	(221)	0	0	0	24	(244)
Learning and Skills	(62)	0	0	0	231	(293)
People Total	11,520	486	8,243	0	12,154	(9,360)
Place						
Directorate Management	28	0	0	0	28	0
Commercial Services	4,577	4,491	1,176	0	468	(1,560)
Economy and Place	198	40	0	0	158	0
Infrastructure	(57)	350	450	0	153	(1,010)
Homes and Communities	422	222	328	(22)	1,390	(1,496)
Place Total	5,167	5,103	1,954	(22)	2,197	(4,066)
Resources						
Directorate Management	5	0	0	0	5	0
Workforce and Improvement	(280)	50	0	0	30	(360)
Finance and Technology	(460)	0	0	0	199	(659)
Legal and Governance	(407)	0	0	0	0	(407)
Treasury and Pensions	(5)	0	0	0	0	(5)
Communications and Engagement	(235)	0	0	0	21	(256)
Resources Total	(1,384)	50	0	0	255	(1,689)
Strategic Management Board						
Chief Executive and PAs	(16)	0	0	0	0	(16)
Programme Management	0	0	0	0	0	0
Strategic Management Board Total	(16)	0	0	0	0	(16)
TOTAL	10,998	5,638	10,196	(22)	14,790	(19,605)

*Ongoing budget pressures should be mitigated in the first instance within service areas

APPENDIX 5

AMENDMENTS TO ORIGINAL BUDGET 2022/23

£'000	Total	Corporate	Health & Wellbeing	People	Place	Resources	Strategic Management Board
Original Budget as Agreed by Council	224,616	(54,919)	3,449	198,809	70,934	6,328	15
Quarter 1 Structure Changes	0		(1,265)	1	1,292	(28)	
Quarter 1 Virements	0	521	276	99	(797)	(99)	
Virements:							
Quarter 2							
Revision of MRP and capital loan interest budgets		(216)			216		
Realignment of budgets between Regulatory Services and Trading Standards and Licensing			(1)		1		
Correction of Resources salary budgets using corporately held salary budgets		(67)				67	
Movement of a post from Procurement and Contracts to Early Help, Partnerships and Commissioning				32		(32)	
Quarter 2 Revised Budget	224,616	(54,682)	2,459	198,941	71,646	6,236	15

APPENDIX 6

RESERVES 2022/23

General Fund

The General Fund reserve at 31st March 2022 stood at £11.522m, significantly below its optimum desired balance.

In 2022/23, a one-off budget contribution to the General Fund is planned of £4.028m. However, based on the current monitoring position, the General Fund balance is currently projected to reduce significantly by year-end, to just £3.902m. This is not considered sustainable and therefore as stated earlier in the report, it is necessary for the Council to identify mitigations to reduce the overspend projected in 2022/23.

General Fund	£'000
Balance as at 1 st April	11,522
Budgeted Contribution	4,028
Sub-total – Balance before impact of in-year monitoring position	15,550
2022/23 Projected Outturn	(10,998)
Projected General Fund Balance as at 31st March	4,552

Earmarked Reserves

The Council held balances of £81.447m (excluding School Balances) in Earmarked Reserves as at 1st April 2022. The Financial Strategy for 2022/23 assumed a contribution from earmarked reserves to balance the budget and other transactions are planned from earmarked reserves during the course of the year. The current projections for the year end balance in earmarked reserves is detailed in the table below.

Earmarked Reserves	1 st April 2022 £'000	Forecast Net Contribution to/from Reserve £'000	31 st March 2023 £'000
Sums set aside for major schemes, such as capital developments, or to fund major reorganisations	25,431	(11,200)	14,231
Insurance reserves	3,754	0	3,754
Reserves of trading and business units	0	0	0
Reserves retained for service departmental use	50,001	(28,544)	21,457
Reserves held for schools	2,261	0	2,261
Total	81,447	(34,682)	41,703

APPENDIX 7

PROJECTED CAPITAL PROGRAMME OUTTURN 2022/23 – 2024/25

The capital budget for 2022/23 is continuously being monitored and changed to reflect the nature of capital projects which can be profiled for delivery over several years. In Quarter 2 the capital budget for 2022/23 has been subject to a detailed review of the position of all projects and reprofiling where required into future years. In Quarter 2 there has been a net budget decrease of £0.104m for 2022/23, compared to the position reported at Quarter 1 2022/23. The tables below summarise the overall movement, between that already approved and changes for Quarter 2.

Shropshire Council - Capital Programme 2022/23 - 2024/25

Capital Programme Summary - Quarter 2 2022/23

Directorate	Revised Budget Q1 2022/23 £	Budget Virements Q2 £	Revised Budget Q2 2022/23 £	Actual Spend £	Spend to Budget Variance £	% Budget Spend	Outturn Projection £	Outturn Projection Variance £	2023/24 Revised Budget £	2024/25 Revised Budget £	2025/26 Revised Budget £
General Fund											
Health & Wellbeing	0	0	0	0	0	0.00%	0	0	0	0	0
People	27,685,995	1,526,727	29,212,722	4,871,774	24,340,948	16.68%	29,212,722	0	15,935,469	3,000,000	0
Place	75,126,061	-1,745,310	73,380,751	34,523,039	38,857,712	47.05%	73,380,751	0	82,840,965	43,615,620	0
Resources	485,549	0	485,549	26,327	459,222	5.42%	485,549	0	1,000,000	0	0
Total General Fund	103,297,605	-218,583	103,079,022	39,421,139	63,657,883	38.24%	103,079,022	0	99,776,434	46,615,620	0
Housing Revenue Account	17,831,625	114,245	17,945,870	2,705,163	15,240,707	15.07%	17,945,870	0	23,915,057	19,139,520	855,110
Total Approved Budget	121,129,230	-104,338	121,024,892	42,126,302	78,898,590	34.81%	121,024,892	0	123,691,491	65,755,140	855,110

The actual capital expenditure at Quarter 2 is £42.126m, which represents 34.81% of the revised capital budget at Quarter 2, 50% of the year. This is slightly low in comparison to the total budget, but in line with the average expenditure percentage at this period in previous years. All budgets are fully allocated to projects and will be monitored for levels of spend throughout the remainder of the year. Based on recent years, the capital programme has out turned at around 85% of the outturn budget, which on average has been around 20% lower than the budget at this point in the year, due to further re-profiling later in the year.

The level of spend is slightly low across the programme in some areas, but equal to the level of spend in the previous year at this period. In terms of the major areas the spend position is as follows: People 16.68% (budget £29.213m), Place 47.05% (budget £73.381m), Resources 5.42% (budget £0.485m), HRA Major Repairs & New Build Programme 15.07% (budget £17.946m).

Shropshire Council - Capital Programme Portfolio Holder Summary Quarter 2 2022/23

Portfolio Holder	Revised Budget Q1 2022/23 £	Budget Virements Q2 £	Revised Budget Q2 2022/23 £	Actual Spend £	Spend to Budget Variance £	% Budget Spend	Outturn Projection £	Outturn Projection Variance £	2023/24 Revised Budget £	2024/25 Revised Budget £	2025/26 Revised Budget £
General Fund											
Portfolio Holder Adult Social Care and Public Health	6,612,500	-543,567	5,155,903	1,939,956	3,215,947	37.63%	5,155,903	0	5,150,000	1,000,000	0
Portfolio Growth and Regeneration	20,635,672	84,286	23,823,260	5,821,718	18,001,542	24.44%	23,823,260	0	25,749,193	19,139,520	855,110
Deputy Leader and Portfolio Holder Climate Change, Environment and Transport	325,000	0	2,928,076	1,544,144	1,383,932	52.74%	2,928,076	0	325,000	0	0
Portfolio Holder Children and Education	11,182,552	-632,685	13,360,463	2,547,317	10,813,146	19.07%	13,360,463	0	10,785,469	2,000,000	0
Portfolio Holder Finance and Corporate Resources	14,714,402	15,477	18,798,348	9,050,168	9,748,180	48.14%	18,798,348	0	6,644,235	10,183,620	0
Portfolio Holder for Health (Integrated Care System) and Communities	30,000	0	66,838	96,145	-29,307	143.85%	66,838	0	200,000	200,000	0
Portfolio Holder Culture and Digital	5,330,711	-1,000,000	2,760,630	284,602	2,476,028	10.31%	2,760,630	0	4,000,000	2,000,000	0
Portfolio Holder Highways and Regulatory Services	49,972,130	1,972,151	36,185,504	18,137,090	18,048,414	50.12%	36,185,504	0	46,922,537	12,092,480	-855,110
Leader and Portfolio Holder Strategy	0	0	0	0	0	0.00%	0	0	0	0	0
Total General Fund	108,802,967	-104,338	103,079,022	39,421,139	63,657,883	38.24%	103,079,022	0	99,776,434	46,615,620	0
Housing Revenue Account											
Portfolio Holder Physical Infrastructure (Highways, Built Housing, Assets) (HRA)	16,510,712	0	17,945,870	2,705,163	15,240,707	15.07%	17,945,870	0	23,915,057	19,139,520	855,110
Total Approved Budget	125,313,679	-104,338	121,024,892	42,126,302	78,898,590	34.81%	121,024,892	0	123,691,491	65,755,140	855,110

Shropshire Council - Capital Budget Monitoring Report Quarter 2 2022/23

Directorate Service Area	Revised Budget Q1 2022/23 £	Budget Virements Q2 £	Revised Budget Q2 2022/23 £	Actual Spend £	Spend to Budget Variance £	% Budget Spend	Outturn Projection £	Outturn Projection Variance £	2023/24 Revised Budget £	2024/25 Revised Budget £	2025/26 Revised Budget £
General Fund											
Health & Wellbeing	0	0	0	0	0	0.00%	0	0	0	0	0
Public Health Capital	0	0	0	0	0	0.00%	0	0	0	0	0
Regulatory Services Capital	0	0	0	0	0	0.00%	0	0	0	0	0
People	17,795,052	1,526,727	29,212,722	4,871,774	24,340,948	16.68%	29,212,722	0	15,935,469	3,000,000	0
Adult Social Care Contracts & Provider Capital	0	0	0	0	0	0.00%	0	0	0	0	0
Adult Social Care Operations Capital	3,332,500	-975,000	1,770,411	670,859	1,099,552	37.89%	1,770,411	0	2,405,000	1,000,000	0
Children's Residential Care Capital	300,000	414,678	1,080,041	253,807	826,234	23.50%	1,080,041	0	0	0	0
Housing Services Capital	3,280,000	3,134,412	14,081,848	1,653,598	12,428,250	11.74%	14,081,848	0	2,745,000	0	0
Non Maintained Schools Capital	3,055,855	118,652	3,725,805	504,032	3,221,773	13.53%	3,725,805	0	4,500,000	0	0
Primary School Capital	4,967,048	-12,861	7,302,020	1,674,867	5,627,153	22.94%	7,302,020	0	173,500	0	0
Secondary School Capital	250,000	0	520,504	63,379	457,125	12.18%	520,504	0	0	0	0
Special Schools Capital	0	0	77,800	42,086	35,714	54.10%	77,800	0	0	0	0
Unallocated School Capital	2,609,649	-1,153,154	654,293	9,146	645,147	1.40%	654,293	0	6,111,969	2,000,000	0
Place Capital - Commercial Services	14,714,402	15,477	18,798,348	9,050,168	9,748,180	48.14%	18,798,348	0	6,644,235	10,183,620	0
Corporate Landlord Capital	14,714,402	15,477	18,798,348	9,050,168	9,748,180	48.14%	18,798,348	0	6,644,235	10,183,620	0
Place Capital - Economic Growth	9,104,905	-1,029,959	8,152,471	3,374,830	4,777,641	41.40%	8,152,471	0	4,834,136	2,000,000	0
Broadband Capital	4,979,945	-1,000,000	2,275,081	258,274	2,016,807	11.35%	2,275,081	0	3,000,000	2,000,000	0
Development Management Capital	758,248	50,000	977,324	71,038	906,286	7.27%	977,324	0	215,634	0	0
Economic Growth Capital	2,940,753	0	4,041,066	2,384,866	1,656,200	59.02%	4,041,066	0	1,069,543	0	0
Planning Policy Capital	425,959	-79,959	859,000	660,652	198,348	76.91%	859,000	0	548,959	0	0
Place Capital - Homes & Communities	30,000	0	66,838	96,145	-29,307	143.85%	66,838	0	200,000	200,000	0
Leisure Capital	30,000	0	56,127	79,762	-23,635	142.11%	56,127	0	0	0	0
Outdoor Partnerships Capital	0	0	10,711	16,043	-5,332	149.78%	10,711	0	200,000	200,000	0
Visitor Economy Capital	0	0	0	340	-340	0.00%	0	0	0	0	0
Place Capital - Infrastructure	66,807,842	-730,828	46,363,094	22,001,896	24,361,198	47.46%	46,363,094	0	71,162,594	31,232,000	0
Environment & Transport Capital	0	0	0	0	0	0.00%	0	0	0	0	0
Highways Capital	66,482,842	-730,828	43,435,018	20,457,752	22,977,266	47.10%	43,435,018	0	70,837,594	31,232,000	0
Waste Capital	325,000	0	2,928,076	1,544,144	1,383,932	52.74%	2,928,076	0	325,000	0	0
Resources	350,766	0	485,549	26,327	459,222	5.42%	485,549	0	1,000,000	0	0
ICT Digital Transformation - CRM Capital	0	0	25,463	21,917	3,546	86.08%	25,463	0	0	0	0
ICT Digital Transformation - ERP Capital	0	0	0	0	0	0.00%	0	0	0	0	0
ICT Digital Transformation - Infrastructure & Architecture Capital	0	0	0	0	0	0.00%	0	0	0	0	0
ICT Digital Transformation - Social Care Capital	0	0	60,688	4,410	56,278	7.27%	60,688	0	0	0	0
ICT Digital Transformation - Unallocated Capital	350,766	0	399,398	0	399,398	0.00%	399,398	0	1,000,000	0	0
Total General Fund	108,802,967	-218,583	103,079,022	39,421,139	63,657,883	38.24%	103,079,022	0	99,776,434	46,615,620	0
Housing Revenue Account	16,510,712	114,245	17,945,870	2,705,163	15,240,707	15.07%	17,945,870	0	23,915,057	19,139,520	855,110
HRA Dwellings Capital	16,510,712	114,245	17,945,870	2,705,163	15,240,707	15.07%	17,945,870	0	23,915,057	19,139,520	855,110
Total Approved Budget	125,313,679	-104,338	121,024,892	42,126,302	78,898,590	34.81%	121,024,892	0	123,691,491	65,755,140	855,110

APPENDIX 8

PROJECTED CAPITAL RECEIPTS

The current capital programme is heavily reliant on the Council generating capital receipts to finance the capital programme. There is a high level of risk in these projections as they are subject to changes in property and land values, the actions of potential buyers and being granted planning permission on sites. The table below summarises the current allocated and projected capital receipt position across 2022/23 to 2025/26. A RAG analysis has been included for capital receipts projected, based on the current likelihood of generating them by the end of each financial year. Disposals rated marked "Green" are highly likely to be completed by the end of the financial year, those rated "Amber" are achievable but challenging and thus there is a risk of slippage, and those rated "Red" are highly unlikely to complete in year and thus there is a high risk of slippage. However, no receipts are guaranteed to complete in any financial year as there may be delays between exchanging contracts and completing.

Detail	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Corporate Resources Allocated in Capital Programme	11,762,510	8,263,133	5,200,000	-
Capital Receipts used to finance redundancy costs	1,000,000			
To be allocated from Ring Fenced Receipts	12,564,885	7,350,505	7,200,000	14,422,844
Total Commitments	25,327,395	15,613,638	12,400,000	14,422,844
Capital Receipts in hand/projected:				
Brought Forward in hand	18,273,484	(2,865,207)	(18,413,845)	(30,813,845)
Generated 2021/22YTD	1,567,180	-	-	-
Projected - 'Green'	2,621,525	65,000	-	495,000
Total in hand/projected	22,462,188	(2,800,207)	(18,413,845)	(30,318,845)
Shortfall to be financed from Prudential Borrowing / (Surplus) to carry forward	2,865,207	18,413,845	30,813,845	44,741,689
Further Assets Being Considered for Disposal	21,727,953	28,988,172	6,682,953	7,300,000

Capital receipts of £18.273m were brought forward from 2021/22 and £1.567m has been generated to date in 2022/23. A further £2.622m is currently projected as 'Green' for 2022/23, of which £1.603m relates to the sale of small holdings, £0.601m to the sale of Economic Development assets and £0.420m to the sale of HRA properties under the Right to Buy scheme. Based on the current programme and capital receipts in hand and projected as Green, there are currently insufficient receipts projected to be generated to finance the capital programme for 2022/23; there being a projected shortfall of £2.865m. However, in 2022/23 assets currently being considered for disposal total £21.728m and of these £5.180m are RAG rated amber. Consequently, the currently projected shortfall of capital receipts in 2022/23 could be resolved by progressing the amber and red RAG rated disposals.

In 2023/24, 2024/25 and 2025/26 there are currently projected cumulative shortfalls of capital receipts of £18.414m, £30.814m and £44.742m respectively, which may need to be financed from Prudential Borrowing if they cannot be addressed by progressing the disposals programmed for future years and will incur future year revenue costs that are not budgeted for in the revenue financial strategy.

Assets currently being considered for disposal total £64.699m which if realised would resolve the currently projected shortfall in capital receipts peaking at £44.742m in 2025/26. However, the vast majority (£51.615m) of these disposals

are currently RAG rated “Red”, meaning that they are highly unlikely to complete within the relevant financial years.

There is a significant and urgent pressure, therefore, to progress the disposals programmed for future years, to ensure that they are realised, together with realising the revenue running cost savings from some of the properties. Considerable work is required to realise these receipts, with generally a lead in time of at least 12 to 18 months on larger disposals.

APPENDIX 9

FINANCIAL MANAGEMENT INDICATORS

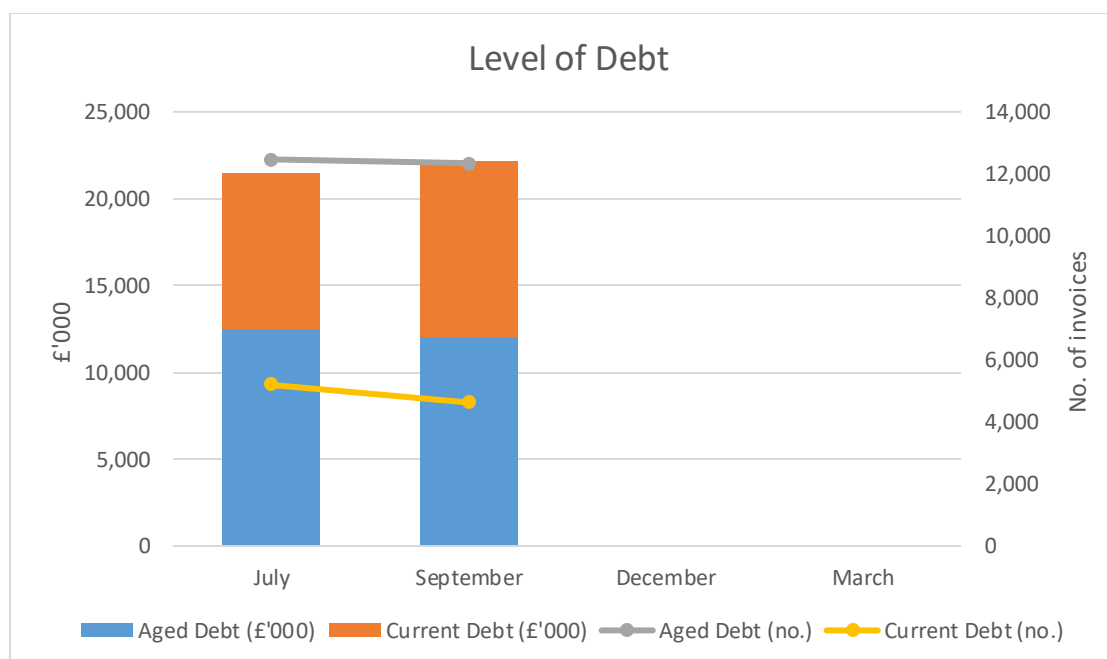
The two financial indicators detailed below will be tracked during the course of the financial year to provide assurance on the Council's financial management processes.

Payment of Invoices

April – Sept 2022	% of Invoices	No. of invoices
Paid within 30 days	89.76%	173,784
Invoices not paid within 30 days	10.24%	19,833
Total	100%	193,617

Aged debt

As at 30 th Sept 2022	Value (£'000)	No. of invoices
Aged Debt	12,041	12,344
Current Debt	10,119	4,628
Total	22,160	16,972



The payment of invoices indicator demonstrates that the Council is promptly paying invoices to suppliers with almost 90% of invoices being paid within 30 days. It should be noted that this indicator has decreased since Q1 where 93% of invoices had been paid promptly. This appears to be as a result of departments not passing invoices straight through for payment, potentially because they have not produced a purchase order at time of requesting the goods. Statistics on late submission of invoices and production of retrospective orders are produced for each Directorate and distributed so that senior managers can raise any issues with relevant departments.

The level of aged debt has reduced marginally but does remain significantly high and the effects of the COVID pandemic are still impacting on the level of debt held. Focussed action will be made across the authority to improve recovery of debt in a more timely fashion.