

AGENDA ITEM

REPORT TO CABINET

12 NOVEMBER 2020

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Leader of the Council - Councillor Bob Cook

FINANCIAL POSITION AND UPDATE TO MEDIUM TERM FINANCIAL PLAN

SUMMARY

1. This Report provides an update on the latest financial position, including a projection for the current financial year and the emerging issues for the Medium Term Financial Plan (MTFP).
2. The report builds upon the report to Council in July 2020 which covered the impact of COVID and approved the use of balances to fund the position should this be necessary. This report updates the position, integrating the COVID impacts into the Council's overall financial position.
3. There is still significant uncertainty surrounding the impact over the next 6 months, however the indications are that there may not be a call on balances through a combination of additional funding received and savings across some areas of the Council.
4. The position for future years remains extremely uncertain. Not only is it unclear as to any ongoing financial implications of COVID, members will now be aware that there is a one year Spending Review and Local Government Finance Settlement bringing no long term funding certainty.

RECOMMENDATION

1. That Cabinet note the position.

GENERAL FUND

1. The Covid-19 situation has brought significant uncertainty and volatility to the financial position in 2020/21 and, as widely reported, the pandemic is having a significant financial impact on the financial position of all local authorities. The government have recognised this and have responded with several announcements of additional funding to support the sector.

Government Funding

- To date Covid Emergency Grant Support amounting to £16.499m has been allocated by Government to Stockton. This is an increase of £3.684m on that previously reported, as a fourth tranche of funding was announced in October 2020.

In addition, a Sales, Fees and Charges Income Compensation Scheme has also been introduced. This income compensation scheme is currently projected to generate between £1.5m and £2.1m in 2020/21. There is no indication currently that either of these significant funding streams will continue beyond 2020/21.

The Council have also been allocated funding to support specific service areas to support the response to COVID. It is anticipated that this funding will be fully utilised by services delivering these new responsibilities:

Business Grant Administration	£170,000
Test and Trace Allocation	£1,311,000
Return to Education Funding	£28,000
Compliance and Enforcement	£110,000
Re-opening High Streets Safely Fund	£175,000

Financial Position 2020/21

- The financial position for 2020/21 is still evolving and will inevitably continue to do so as the impact of the pandemic becomes clearer. The position has been projected on best available information to the 30th September. The position could however change significantly depending upon the impact of the pandemic over the next five months, the response required by the Council and any further Government funding.
- The overall position is outlined below and this incorporates the anticipated COVID pressures and current Government income. Accepting all of the caveats outlined in this report, this indicates that the previous anticipated call on balances will not be required.

Area	Projected Pressure At June 2020 £'000	Projected Pressure September 2020 £'000	Change £'000
Adult Social Care	4,000	2,570	(1,430)
Children's Social Care Costs	3,500	5,087	1,587
PPE and Direct Covid Costs	800	700	(100)
Support to Tees Active	2,000	2,000	0
Waste Collection and Disposal / Street Cleansing	1,000	1,431	431
Reduction in Income	4,000	4,038	38
Capital Schemes	1,700	1,700	0
Savings associated with COVID	0	(1,123)	(1,123)
COVID Risk Contingency		2,000	2,000
Total	17,000	18,403	1,403
Government Grants Covid-19 Support	(12,815)	(16,499)	(3,684)
Government Grants – Covid-19 Income loss compensation	0	(1,750)	(1,750)
Net Position	4,185	154	(4,031)

5. The key issues and the reasons for significant variances and movements since July are set out below.

Adult Social Care Costs

6. This area has experienced significant changes and challenges in the first six months of the financial year with the social care sector being particularly impacted by the effects of the pandemic.

In line with government guidance, the Council has supported the care market through a temporary increase in fees and through supplier relief. This has taken the form of fee uplifts for residential and domiciliary care providers ranging between 5% and 10%. Providers of day care have also received supplier relief where they have been unable to operate, or have operated at reduced capacity, due to covid-19 restrictions.

We have now reviewed the activity levels and expenditure for the first 6 months of the year and there is a reduction in the number of placements into care homes and reduced take up of care packages, primarily due to the pandemic. There has also been a national requirement for Community Care Groups (CCG's) to fund the care placements of those people who were discharged from hospital into a care setting during the early months of the pandemic. This has resulted in savings against the budgeted position as this income had not been anticipated when the budget was agreed. However, there is evidence that activity is now increasing, with a rising demand for care assessments so this will be closely monitored.

Children's Services

7. As reported in July, the current MTFP assumes a savings target of £1.9m, which was based in the main around relocating children in care and changing placements (e.g. Going Home/Coming home). The current situation means that this is not possible and there is therefore a delay in making these savings. There is also now evidence of rising numbers of Children in our Care, with a resulting need for external placements. This is placing significant pressure on this budget area. The increased levels of activity are also impacting on staffing resources, with an increasing need for the use of agency staff to cover vacancies (£750,000).

Direct Covid Costs

8. There are a number of direct costs associated with the current situation, such as the procurement of PPE equipment, costs of the Community Hub, Shielding and Food supplies. This support is anticipated to cost around £700,000.

Waste Collection and Disposal Costs

9. The Council continues to deliver a consistent refuse collection service through the pandemic, although with appropriate adjustments in methods of working and some requirement for additional staff to cover for those shielding or self-isolating. There are also significant increases in volumes of waste materialising, which in turn increases waste disposal costs. In total additional costs are now projected to amount to £1,282,000.
10. Required changes to methods of working for Street Cleansing have resulted in additional projected costs of £149,000

Tees Active Limited

11. The pandemic has had a very significant impact on the business of Tees Active Limited (TAL). Their facilities were required to close on government advice for a period and have since reopened with reduced capacity. Although TAL have made significant efforts to reduce costs, including furloughing of staff and ceasing all non-essential spend, it is inevitable that they will not be able to operate on their existing level of subsidy. The current estimate of the financial support required in 2020/21 amounts to £2m. It should be highlighted that the sales income lost by TAL is not eligible for the MHCLG Sales, Fees and Charges Income Compensation Scheme. This has been the subject of lobbying on a national level to both MHCLG and DCMS and a national sum of £100m has recently been announced to support this sector. Further detail is currently awaited.

Reduction in Income

12. The impact of the closure of facilities and services and reduced activity has resulted in a loss of income across a broad range of areas, currently totalling an estimated £4,038,000. This projection is based on current information and level of restrictions and may change if the pandemic results in further reductions in activity. Elements of this lost income will be compensated through the Sales, Fees and Charges Compensation Scheme discussed in paragraph 2 but it should be noted that not all income streams are eligible and that an overarching deduction is made before calculation of the 75% compensation.

- Planning income has been impacted, particularly in the early stages of the pandemic, with lost income projected to amount to £427,000.
- The suspension of debt recovery action and the closure of the courts system has had an adverse impact on income for the service of £891,000.
- Income has been lost by the Library and Museum Service of £275,000 due to closure of facilities earlier in the year and a reduced level of activity on re-opening.
- Income from car parking has reduced significantly and is projected to amount to a loss of income of £536,000 by the end of the financial year.
- Income from other Highways related areas is expected to be reduced by £175,000.
- Income has also reduced from both Licensing activities £100,000 and from Markets £75,000.
- The ability to charge for educational services has also been reduced, leading to a projected loss of income of £141,000.
- The Catering Service has experienced significant changes and volatility in the first six months of the financial year, with significant losses of income combining with required changes to methods of working. Although offset by some reductions in supplies costs, the Service has a projected pressure of £644,000 at outturn. It should be noted that initial information from the start of the Autumn Term is that income may reduce further due to a trend for further take up of packed lunches in secondary schools.
- The Learning and Skills Service has had to adapt in its delivery of the Service as a result of the pandemic. A reduction in income for apprenticeship training, is leading to a forecast financial pressure of £226,000 at the year end.
- The impact of the pandemic on the retail sector is well documented and has adversely affected the rental income received leaving a projected in year shortfall of £200,000.
- Whilst performing very well compared to competitors, the trading performance of the Hampton by Hilton Hotel has inevitably been adversely impacted by the Covid situation. This will lead to an accumulated loss position at financial year end. In those

circumstances it would be highly unlikely that a dividend would be paid to the shareholder (Council), with an adverse impact against budget of £100,000.

COVID Savings

13. There are some direct savings due to activities being affected by COVID and these are summarised below.

- The unavoidable cancellation of major events will lead to financial savings in year, currently estimated at £728,000.
- Projected savings of £265,000 are also projected on Marketing and Advertising expenditure
- Lower utility costs and usage of Council buildings are projected to result in savings of £130,000

Collection Fund

14. The Council maintains a Collection Fund, which is a legal requirement to separately account for council tax and business rates income. Both elements are expected to be impacted by the pandemic and to end the financial year in a deficit position.

Because of the way the Collection Fund works in relation to the General Fund, the financial impact of any reduction in income does not immediately affect the current year financial position, it is effectively a shortfall to be resolved next financial year and will need to be reflected in the updated budget and MTFP.

There are a number of issues which will affect the position:

- An increase in people claiming LCTS as the impact of the pandemic increases the number of households eligible for LCTS support (approximately 10% to date). This will lead to a reduction in the overall amount of council tax assessed/collected compared to that budgeted.
- Our budgeted tax base includes assumptions on housing growth. While housing growth is still being achieved the scale has reduced slightly from previous levels.
- Despite support for businesses through increased reliefs and grants, there remain a significant number who do not benefit from this support. There is a risk therefore that business rates revenue reduces if businesses fail or are unable to pay.
- The level of outstanding business rate and council tax debt is likely to rise and the Council will need to review the potential to collect that debt.

For Council Tax, the Council retain an 83% share of the forecast deficit position at year end. This share is currently estimated at £5m after the utilisation of specific covid-19 related grant funding to cover the costs of additional council tax discounts mandated by government.

For Business Rates the Council retains a 49% share of the forecast deficit position at year end. This share is currently forecast at £1.6m after the utilisation of specific grant funding allocated in lieu of business rates income foregone due to the extensive reliefs granted to certain business sectors by government.

It should be highlighted that these areas remain highly volatile and will require to be kept under regular review for the remainder of the financial year.

The Government have indicated that funding will be provided to cover 50% of the deficits above, which would leave approximately £3.3m for the Council to fund. Normally the regulations require this to be funded next year, however there are suggestions that this could be relaxed to allow recovery over 3 years, either way, this will be a pressure for future years.

Contingency

15. Given all of the risks and caveats outlined above, it is prudent to earmark £2m of the funding available to support either additional COVID costs in the current year or to support the implications of the Council Tax and Business Rates outlined above.

General Fund Balances

16. As previously reported in July, the current level of General Fund Balances is £7.732m, which is £0.332m in excess of the approved level. This will be available for consideration in the updated MTFP.

MEDIUM TERM FINANCIAL PLAN – EMERGING ISSUES

17. There continues to be a high level of uncertainty in terms of future funding for local government and how the available funding will be shared between local authorities through the funding formula.

- The government was previously expected to publish a three-year Comprehensive Spending Review (CSR) in Summer 2019. This was delayed and is now expected in November 2020 and only as a one year settlement for 2021/22. Government are already indicating that there will be tough choices to be made in relation to investment in public services, particularly in light of the budget deficit the country faces as a result of Covid-19.
- Previously it had been expected that the outcome of the Fair Funding Review, including the move to 75% retention of business rates, would be implemented from April 2021. This is now not expected until at least 2022/23 and indeed there is considerable uncertainty over even that date.
- No announcements on the future Council Tax Referendum Limits have been made as yet.
- The long awaited Green Paper on Social Care has not yet been published.
- The Local Government Finance Settlement is unlikely to be announced until after the Comprehensive Spending Review and may be as late as mid/end December and will cover only 2021/22

This level of financial uncertainty is making financial planning very challenging and will require the Council to be adaptable and flexible as it sets the budget for 2021/22 and updates the MTFP.

18. At this stage it is assumed that there are no net long term financial effects of Covid-19 other than a temporary depression of council tax and business rates receipts. **This assumption will need to be tested and kept under regular review as the Budget for 2021/22 and the MTFP is refined in the coming months.** Assumptions would be amended accordingly if ongoing pressures are identified.

19. Adults and Health – The pandemic has impacted significantly on the Adult Social Care Service and on Public Health. Any ongoing impact will require to be assessed and incorporated into the MTFP. This may include the impact of any further increase of the National Living Wage on care fees.
20. Children’s Services – As highlighted in paragraph 8 above, the Service continues to experience ongoing pressures, particularly relating to Children in our Care (CIOC) and the need to deliver existing savings targets. This will require to be assessed as part of the review of the MTFP
21. Collection Fund issues – As highlight in this report, the pandemic is impacting on the levels of Council Tax and Business Rates received. This will lead to a deficit on the Collection Fund that will require to be repaid. We will also need to review the ongoing impact on the level of Council Tax and Business Rates as we assess our income projections in the MTFP.

ADDITIONAL FUNDING ADMINSTERED BY THE COUNCIL

22. In addition, further funding has been announced and allocated for specific purposes that the Council has had the responsibility of administering and this funding is summarised in the table below:

Grant Description	Amount (£)	Notes
Small Business Grant Funding	33,456,000 Allocated	Grant funding distributed to 2,602 businesses. A reconciliation process is currently underway with BEIS.
Discretionary Business Grants	Included in total above	Grant funding distributed to 210 businesses on a discretionary basis.
Business Rates Relief (Retail, Leisure and Nurseries)	33,900,000	Total business rates relief granted to businesses in qualifying sectors amounts to £33.9m. The Council will be reimbursed via S31 grant.
Infection Control Grants	4,628,000	Funding has been allocated in two tranches to support the care sector. The majority of the funding is required to be allocated to external providers of care.
Emergency Assistance	252,000	Grant from DCMS to fund emergency support for those in need of assistance.
Hardship Fund	2,440,000	Allocated to support relief from council tax bills (£150 per qualifying household). Linked to LCTS cases.
Business Improvement Districts (BIDs) Support	10,000	Government funding accessed by the BID
Self Isolation Support Scheme	181,000	Funding to support payments of £500 per qualifying person for each period they are required to self isolate. Funding is intended to cover period October to January.
Local Restrictions Support Grant (Tier 2)	Allocations yet to be announced	Funding allocated to support businesses impacted by Tier 2 restrictions

CAPITAL

23. The Capital Programme has been updated to reflect the position as at 30 September 2020 and is summarised in the table below. Further detail is set out at **Appendices A and B**.

Capital Programme - September 2020

CAPITAL PROGRAMME Up to 2023	Current Approved Programme	Programme Revisions	Revised Programme
Schools Investment Programme	36,653,522	401,077	37,054,599
Housing, Regeneration & Town Centres Schemes	70,808,655	1,951,440	72,760,095
Transportation	7,793,312	3,766,466	11,559,778
Other Schemes	20,108,954	781,935	20,890,889
Total Approved Capital MTFP	135,364,443	6,900,918	142,265,361

Reasons for Movements over £100,000

New Schemes

- Following a successful Town Fund Accelerated Funding bid, £750,000 in respect of Thornaby Town Centre has been added to the capital programme.
- £387,000 to progress the design at Elton Interchange, funded by a £32,000 LTP contribution and £355,000 S106 Developer contribution, has been added.
- TVCA have awarded a grant up to £900,000 to progress detailed design works in respect of Portrack Relief Road, of which £570,000 is to fund external design fees and it is recommended that Arups be appointed to undertake this work.
- A S106 Developer contribution of £199,000 in respect Horse and Jockey roundabout detailed design works has been added to the capital programme.
- A S278 contribution totalling £175,000 in respect of the widening of the North East Leg of the Green Lane Crossroads roundabout has been added to the capital programme.
- £188,000 in respect of the redevelopment of the play area at Devenport Road and provision of Wi-Fi at Black Path MUGA, fully funded via S106 Developer contribution, has been added.

Additional Funding

- In August the Department for Education confirmed an additional £401,000 2020/21 School Condition Capital Allowance, this has been added to the capital programme.
- Cabinet/Council July 2020 approved up to £1,700,000 to fund the increased capital scheme costs as a result of COVID 19.
- Following an announcement in May 2020 £1,565,000 20/21 Pothole Action funding, and £285,000 20/21 Challenge Fund has been added to support the Local Transport Plan. The total programme now includes £1,455,000 in respect of Mandale Bridge repairs and £1,954,000 Carriageway Resurfacing.

- Wynyard Footbridge detailed design works are progressing and an additional £153,000 S106 Developer contribution has been added.
- An additional £363,000 RCCO has been added to the programme to support the 2020/21 Building Maintenance Programme.

Programme Revisions

- The planned investment in vehicles during the year has been reduced by £334,000 RCCO following a decision to lease 3 refuse vehicles.

COMMUNITY IMPACT IMPLICATIONS

24. As part of the process of making changes to policy or delivery of services, we consider the impact on our communities. No changes to policy or service delivery are proposed as part of this Report.

CORPORATE PARENTING IMPLICATIONS

25. None

FINANCIAL IMPLICATIONS

26. The report updates Members on the Medium Term Financial Plan and Capital Programme

LEGAL IMPLICATIONS

27. There are no specific legal implications

RISK ASSESSMENT

28. The Medium Term Financial Plan Update Report is categorised as medium risk on the expectation that government funding will be forthcoming to minimise the need to use reserves. This will be regularly monitored and reported through the rest of the year.

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Appendix A

CAPITAL PROGRAMME Up to 2023	Current Approved Programme	Programme Revisions	Revised Programme	Expenditure on Capital programme to 30 Sept 2020
SCHOOL CAPITAL				
School Investment Programme	36,653,522	401,077	37,054,599	6,215,034
SCHOOLS CAPITAL	36,653,522	401,077	37,054,599	6,215,034
HOUSING REGENERATION & TOWN CENTRES SCHEMES				
Housing Regeneration	1,849,329	1,440	1,850,769	20,438
Stockton Town Centre Schemes	28,149,447	1,200,000	29,349,447	20,243,135
Reshaping Town Centres	7,662,960	0	7,662,960	0
Towns Fund	0	750,000	750,000	
Growth Fund	10,000,000	0	10,000,000	26,307
Stockton Town Centre Redevelopment	20,000,000	0	20,000,000	0
Infrastructure Enhancements, Regeneration & Property Acquisitions	3,146,919	0	3,146,919	991,506
HOUSING, REGENERATION & TOWN CENTRES SCHEMES	70,808,655	1,951,440	72,760,095	21,281,386
TRANSPORTATION				
Local Transport Plans	4,866,834	1,877,417	6,744,251	1,653,224
Other Transport Schemes	2,358,017	1,287,212	3,645,229	598,895
Developer Agreements	568,461	601,837	1,170,298	238,153
TRANSPORTATION	7,793,312	3,766,466	11,559,778	2,490,272
OTHER SCHEMES				
Private Sector Housing	1,933,959	55,362	1,989,321	634,040
Building Management & Asset Review	744,732	362,778	1,107,510	255,968
Parks, Museums & Cemeteries	164,141	187,795	351,936	193,857
Energy Efficiency Schemes	340,000	0	340,000	0
Leisure Facility Ingleby Barwick	13,300,000	500,000	13,800,000	13,763,440
Other Schemes	3,626,122	(324,000)	3,302,122	283,382
OTHER SCHEMES	20,108,954	781,935	20,890,889	15,130,687
Total Approved Capital MTFP	135,364,443	6,900,918	142,265,361	45,117,379

Appendix B

CAPITAL PROGRAMME	Current Approved Programme	Programme Revisions	Total
SCHOOL CAPITAL			
School Investment Programme			
Planned Maintenance	2,545,902	401,077	2,946,979
SEN Investment			
Ash Trees Academy	550,000	0	550,000
Myton Park Primary School	600,000	53,000	653,000
Egglescliffe School	109,000	0	109,000
Loose Furniture	182,353	(53,000)	129,353
	1,441,353	0	1,441,353
Early Years			
Redhill Childrens Centre	195,000	12,000	207,000
Early Years Capital Grant	418,366	(12,000)	406,366
	613,366	0	613,366
Secondary Expansion Programme			
All Saints Academy - Expansion	3,194,000	0	3,194,000
Northfield School - Expansion	37,162	0	37,162
Our Lady & St Bedes School Expansion	5,403,499	200,000	5,603,499
Egglescliffe School - Partial Rebuild	9,379,275	0	9,379,275
	18,013,936	200,000	18,213,936
Healthy Pupils Capital Fund	127,165	0	127,165
Retained Future Investment Fund	13,911,800	(200,000)	13,711,800
	14,038,965	(200,000)	13,838,965
	36,653,522	401,077	37,054,599
HOUSING REGENERATION & TOWN CENTRES SCHEMES			
Housing Regeneration			
Victoria Estate Regeneration	939,329	1,440	940,769
Affordable Housing	910,000	0	910,000
	1,849,329	1,440	1,850,769
Stockton Town Centre			
Stockton Town Centre - Infrastructure Projects	237,825	0	237,825
Townscape Heritage	2,544,934	0	2,544,934
Globe Theatre Refurbishment	25,366,688	1,200,000	26,566,688
	28,149,447	1,200,000	29,349,447
Reshaping Town Centres			
Town Centre Developments	7,662,960	0	7,662,960
	7,662,960	0	7,662,960
Towns Fund			
Thornaby	0	750,000	750,000
	0	750,000	750,000

Growth Fund			
Feasibility	223,693	0	223,693
Indigenous Growth Fund	9,776,307	0	9,776,307
	10,000,000	0	10,000,000
Stockton Town Centre Redevelopment			
Demolition	15,000,000	0	15,000,000
Relocation	5,000,000	0	5,000,000
	20,000,000	0	20,000,000
Other Regeneration Schemes			
Infrastructure Enhancements & Property Acquisition	646,919	0	646,919
Glam Post Office Demolition	2,500,000	0	2,500,000
	3,146,919	0	3,146,919
	70,808,655	1,951,440	72,760,095
TRANSPORTATION			
LTP - Integrated Transport	1,628,780	(72,058)	1,556,722
LTP Structural Maintenance			
Structural Maintenance	823,648	954,707	1,778,355
Mandale Bridge	1,450,000	5,468	1,455,468
Carriageway Re-surfacing	964,406	989,300	1,953,706
	3,238,054	1,949,475	5,187,529
Other transport schemes			
Preston Park Additional Car Parking	158,195	0	158,195
TVCA A689 Wynyard Feasibility	259,384	0	259,384
TVCA Fuji Film	1,000,000	0	1,000,000
Developer Agreements	568,461	601,837	1,170,298
A66 Yarm Road Cycleway	132,500	0	132,500
Event Security	100,000	0	100,000
Sandgate Shops	50,000	0	50,000
Eaglescliffe Station Western Access	657,938	0	657,938
Elton Interchange	0	387,212	387,212
Portrack Relief Road	0	900,000	900,000
	2,926,478	1,889,049	4,815,527
	7,793,312	3,766,466	11,559,778
OTHER SCHEMES			
Private Sector Housing			
Disabled Adaptations	1,632,318	55,362	1,687,680
Regional Loan Scheme	301,641	0	301,641
	1,933,959	55,362	1,989,321
Building Management & Asset Review			
Building Maintenance Programme	444,732	362,778	807,510
Stockton Town Hall Renovation	200,000	0	200,000
Travellers Site Maintenance	100,000	0	100,000
	744,732	362,778	1,107,510
Parks, Museums & Cemeteries			
Parks Improvement Programme	39,942	187,795	227,737
Cemeteries	124,199	0	124,199

	164,141	187,795	351,936
Energy Efficiency Schemes			
District Heating Schemes	340,000	0	340,000
	340,000	0	340,000
Other Schemes			
Independent Living LD Bid	202,000	0	202,000
Joint Venture Investments	492,580	0	492,580
Vehicle Replacement Fund	2,701,542	(334,000)	2,367,542
Leisure Facility Ingleby Barwick	13,300,000	500,000	13,800,000
22 Sandown Road - Refurbishment Works	230,000	10,000	240,000
	16,926,122	176,000	17,102,122
Total Approved Capital MTFP	135,364,443	6,900,918	142,265,361