

AGENDA ITEM

REPORT TO CABINET

16 SEPTEMBER 2021

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Leader of the Council – Councillor Bob Cook

FINANCIAL UPDATE AND MEDIUM TERM FINANCIAL PLAN (2021/22 QUARTER 1)

SUMMARY

This report summarises the Council's financial performance and position at the end of the first quarter of the 2021/22 financial year.

- The Covid Pandemic continues to have a financial impact in 2021/22. The Local Government Finance Settlement for 2021/22 included an allocation of Covid Support Funding of £5.623m, together with a time limited extension to the Sales, Fees and Charges Income Compensation Scheme.
- Monitoring of the financial position for the Council's Core business for the first quarter of the financial year (to 30th June 2021) highlights a projected overall underspend of £955,000. The position will continue to be closely monitored and managed throughout the remainder of the financial year.
- The Report sets out the position on the Contain Outbreak Management Fund and Covid Recovery.
- The report also presents an update on the Capital Programme.

REASON FOR RECOMMENDATIONS/DECISIONS

To update Members on the Council's financial performance and the Medium Term Financial Plan.

RECOMMENDATIONS

1. That the update to the Medium Term Financial Plan and the current level of General Fund balances be noted.
2. That the revised Capital Programme at **Appendix A** be noted.

DETAIL**FINANCIAL POSITION AS AT 30 JUNE 2021****GENERAL FUND**

- As reported previously, the Covid-19 situation brought significant uncertainty and volatility to the financial position in 2020/21. A number of those financial impacts remain evident in the current financial year. The ongoing impact of the Pandemic was recognised in the Local Government Finance Settlement for 2021/22, with the allocation of a Covid Support Grant of £5.623m, together with an extension of the Sales, Fees and Charges Income Compensation Scheme for a further quarter.
- The following table details the projected budget outturn position for each Directorate in 2021/22, based on information to 30 June 2021. The position includes the ongoing impact of Covid together with the additional income received and details of the variances are described in subsequent paragraphs of the report.

Directorate	Annual Budget £'000	Projected Outturn £'000	Projected Variance Over/(Under) £'000
Adults & Health	75,534	75,774	240
Children's Services	40,644	43,621	2,977
Community Services & Transport	38,760	38,554	(206)
Environment, Culture, Leisure & Events	9,523	11,107	1,584
Admin/Democratic Services & Xentrall	8,440	8,401	(39)
Finance, Development & Business Services	10,110	10,411	301
HR, Legal and Communications	5,273	5,325	52
Town Centre Investment	(1,267)	(576)	691
Corporate Areas	7,106	6,646	(460)
Capital Schemes	0	230	230
Total	194,123	199,493	5,370
Government Grants Covid-19 Support		(5,623)	(5,623)
Government Grants – Covid-19 Income Loss Compensation		(473)	(473)
Government Grants – Covid-19 Business Grants Admin Funding		(229)	(229)
Revised Total	194,123	193,168	(955)

Adults and Health

3. In line with government guidance relating to the Pandemic, the Council supported the care market in 2020/21 through a temporary increase in fees and through supplier relief payments. This support to the market continues in 2021/22 primarily in the form of an occupancy support scheme for residential care and via continued support to Day Care providers. Monitoring in the early months of the financial year suggests that the costs of this support, estimated to be £771,000, will be partly offset by lower than projected activity, particularly in residential care placements (£150,000), together with the continuation of discharge support funding from the CCG (£371,000).

The impact of staff vacancies in the early months of the financial year is projected to lead to an underspend against budget of £230,000.

Children's Services

4. As reported previously, the current MTFP assumes a savings target, which was based in the main around relocating children in care and changing placements (e.g., Going Home/Coming home). The restrictions of the Pandemic led to a delay in achieving these savings in 2020/21 and this impact continues to be felt in the early months of 2021/22. Taken together with increases in volume and complexity of placements for Children in Our Care, this element of the Directorate budget is projected to overspend by £2,470,000.
5. There is evidence of rising numbers of referrals to Children's Services. This is continuing to place significant pressure on this budget area. The increased levels of activity are also impacting on staffing resources, with an increasing need for the temporary use of agency staff to cover vacancies. Costs are projected to exceed budget by £550,000.

Community Services and Transport

6. The costs of providing vehicles is expected to be lower than budgeted due to a combination of reduced fuel expenditure, staff vacancies and increased rechargeable work. Income from staff car parking permits will not be received at the budgeted level this financial year (£130,000).
7. Additional income for the Bereavement and Registrars Service is expected to amount to £167,000, part of which relates to increased activity following restrictions from Covid being relaxed.
8. Emerging evidence suggests that there will be significant price inflation on energy costs (Gas and Electricity) in the current financial year and into 2022/23. The financial impact may be partly offset by reduced demand, but a net pressure overall is anticipated. Further detail on regional supply contracts is currently being assessed and will be quantified for the next MTFP Update Report. It is also an issue that may need to be considered in the MTFP going forward.

Environment, Culture, Leisure and Events

9. The ongoing impact of the pandemic on the business of Tees Active Limited (TAL) will again be evident in 2021/22. Although facilities are now re-opened, income has not yet returned to pre-pandemic levels. The current estimate of the financial support required in 2021/22 amounts to £1.4m. It should be highlighted that unlike those Councils that directly operate their own leisure facilities, the sales income lost by TAL is not eligible for the MHCLG Sales, Fees and Charges Income Compensation Scheme.
10. Income is projected to be lower than budgeted for the Museums Service by £121,000.

11. The Learning and Skills Service has had to adapt in its delivery of the Service as a result of the pandemic. A combination of a reduction in income and increased expenditure is projected to cost £116,000.
12. The unavoidable cancellation of some events this summer will lead to a financial saving. At present this is projected to amount to £100,000.

Finance, Development and Business Services

13. Collection income in respect of Council Tax and Business Rates is projected to be reduced as a result of lower than budgeted levels of recovery activity (£333,000).
14. The continued impact of staff working from home on data usage is projected to amount to an additional cost of £165,000. Any ongoing impact into the longer term will be assessed and if necessary, addressed in a future update to the MTFP.
15. The pressures documented above will be partly offset by increased income from commercial properties (£172,000), although this is predominantly as a result of one-off additional income.

HR, Legal and Communications

16. The financial impact of vacant posts (£98,000) is projected to be largely offset by increased expenditure on external legal support for complex childcare cases (£100,000).

Admin/Democratic Services and Xentrall

17. No significant variances identified in the first three months of the financial year.

Town Centres Investment Team

18. The impact of the pandemic on the retail sector is well documented and continues to adversely affect the rental income received for both the Wellington Square and Castlegate Shopping Centres and has also had an impact on the landlord holding costs associated with the transition from Castlegate to Wellington Square. The combined net income is projected to fall short of covering borrowing costs by £555,000.
19. Modelling of future income streams for the Wellington Square Centre indicates that once the transition is complete, the borrowing costs (combined for both Wellington and Castlegate) are expected to be covered by the net income stream on an ongoing basis.

Corporate Areas

20. Payments in respect of Designated Authority costs and Joint Arrangements are projected to be lower than budgeted by £110,000.
21. Treasury Management costs (AMRA) are expected to be lower than budget (£350,000) largely as a result of the Council not having needed to borrow externally as soon as originally expected.

Capital Schemes

22. The scheme to renovate the Globe is nearing final financial completion. COVID has continued to be an issue to the end of the contract works resulting in an additional cost of £230,000. However, the Government recognised the need to support capital projects which continued to work during COVID and as reported in July 2021, the Heritage Lottery Fund allocated £774,000 to the project. The additional call on resources for the project of £1.2m approved in July 2020 has therefore reduced to £656k.

Funding

23. As highlighted at para 1 above, the Council has been allocated additional funding in 2021/22 in respect of Covid Support funding of £5.623m and in the form of the Sales, Fees and Charges Income Compensation Scheme (currently estimated at £0.473m). In addition, New Burdens Funding of £229,000 has been received in respect of supporting the Council in delivering the various Covid Support Schemes.

Contain Outbreak Management Fund/Recovery Funding

24. The Outturn Report for 2020/21 identified that the balance of the Contain Outbreak Management Fund (COMF) was being carried forward for use in 2021/22. When added to additional COMF funds received for 2021/22 the total amount available and uncommitted is £4.550m. In compliance with the terms of the funding an element of existing expenditure will be charged to the Grant, which will have the impact of freeing up funding to be deployed on Covid recovery priorities.

25. The Council continue to provide Covid support and to respond as required to the Covid Pandemic. In total this is expected to amount to £1.7m and covers the Outbreak Response Team and Marshalls, support to Carers, support to the Voluntary and Community Sector and Covid related Communications.

26. This means that a sum of £2.850m is available to support Covid Recovery and it is recommended that this is utilised as set out in the table below:

Priority	£'000
Civic Enforcement	410
Targeted Care for Your Area	250
Highways / Potholes	400
Support for delivery of a Fairer Stockton on Tees Framework	120
Employment Hub	500
Skills Support	200
Early Years Communications	170
ICT / Digital Improvements	250
Technology to support income collection	200
Support to Taxi Licensing and Markets	350
	2,850

27. Further information for each element of Covid Recovery is set out in **Appendix B**.

28. Recognising the impact of the pandemic on people's lifestyles, with a significant increase in time spent isolated, indoors on screen-based activity, we are keen to reconnect our communities and engage them in active outdoor leisure. The Physical Activity Steering Group has identified a number of time-limited projects which target particular groups. Selected projects have match funding available through Sport England and we are exploring how these might be resourced.

General Fund Balances

29. The Council aims to retain General Fund Balances at a prudent level, currently £7,400,000 and Members will recall that the position at year-end 2020/21 exceeded this sum by £5,478,000 and the 2020/21 Outturn Report also outlined the intention to review General Fund Balances levels.

30. Should the position summarised in the paragraphs above materialise at year end, then there will be a further sum available of £955,000.
31. The Council is in the process of supporting recovery from the pandemic and the paragraphs above outline some funding to support immediate response. Many of the activities support the priorities outlined in the Council Plan and in order to continue recovery and delivery of the priorities further funding is likely particularly around the framework for resolving inequalities, increasing skills and attracting employment opportunities and reducing carbon emissions. We are still in the early stages of recovery from the Pandemic and we may therefore see further priorities develop in the coming months. We are also starting to see increases in construction costs and energy costs and these issues will be considered as part of the 2022/23 budget report.

MEDIUM TERM FINANCIAL PLAN

32. There continues to be a high level of uncertainty in terms of future funding for local government.
- 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 late 2021. 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 2023 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 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.

CAPITAL

33. The Capital Programme for 2012/22 is shown at **Appendix A** and summarised in the table below:

CAPITAL PROGRAMME Up to 2023	Current Approved Programme £'000	Programme Revisions £'000	Revised Programme £'000	New Approvals	Revised Programme
Schools Capital	41,607	(38)	41,569	0	41,569
Housing Regeneration & Inclusive Growth & Development	11,711	0	11,711	0	11,711
Town Centres	99,496	0	99,496	0	99,496
Transportation	28,355	278	28,633	256	28,611
Other Schemes	9,301	53	9,355	1,050	10,351
Total Approved Capital MTFP	190,470	293	190,764	1,306	191,738

Programme Revisions

Transportation

- A contribution of £113,033 from MBC in respect of maintenance works to Newport Bridge has been added to the programme.

New approvals

Transportation

- A S278 contribution totalling £125,308 in respect of the alteration works to the existing roundabout access on Durham Lane, fully funded via the Developer, has been added to the capital programme.

Other schemes

- £745,000 planned investment in TAL buildings has been added to the building maintenance programme. In line with the Stockton Town Centre Waterfront Development Masterplan Cabinet report (July 2021) the investment programme will be reviewed in light of the new leisure centre in Stockton.
- Following a successful application, £305,000 grant from the Environment Agency in respect of the Flood & Coastal Resilience Innovation Programme has been added to the capital programme to be utilised to complete an outline business case in respect of Tees Tidelands.

COMMUNITY IMPACT IMPLICATIONS

34. 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

35. No direct implications.

FINANCIAL IMPLICATIONS

36. The report summarises the financial position for 2021/22 based on information for the first quarter of the financial year.

LEGAL IMPLICATIONS

37. None

RISK ASSESSMENT

38. This update to the MTFP is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

WARDS AFFECTED AND CONSULTATION WITH WARD/COUNCILLORS

39. Not applicable

BACKGROUND PAPERS

40. Medium Term Financial Plan Update and Strategy – Council 24 February 2021.

41. Financial Outturn Report – Cabinet July 2021

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Appendix A

CAPITAL PROGRAMME Up to 2023	Current Approved Programme	Programme Revisions	Revised Programme	New approvals	Revised Programme	Expenditure April 2016 - June 2021
SCHOOL CAPITAL						
School Investment Programme	41,606,878	(38,000)	41,568,878	0	41,568,878	7,112,125
SCHOOLS CAPITAL	41,606,878	(38,000)	41,568,878	0	41,568,878	7,112,125
HOUSING REGENERATION & INCLUSIVE GROWTH & DEVELOPMENT						
Housing Regeneration	1,710,848	0	1,710,848	0	1,710,848	59
Inclusive Growth & Development	10,000,000	0	10,000,000	0	10,000,000	73,807
HOUSING REGENERATION & INCLUSIVE GROWTH & DEVELOPMENT	11,710,848	0	11,710,848	0	11,710,848	73,866
TOWN CENTRES						
Stockton Town Centre Schemes	29,346,329	0	29,346,329	0	29,346,329	26,295,780
Reshaping Town Centres	20,662,960	0	20,662,960	0	20,662,960	199,147
Thornaby Town Centre	5,750,000	0	5,750,000	0	5,750,000	24,331
Re-Development of Castlegate Site	41,543,812	0	41,543,812	0	41,543,812	1,154,706
Infrastructure Enhancements, Regeneration & Property Acquisitions	2,192,720	0	2,192,720	0	2,192,720	133,882
TOWN CENTRES	99,495,821	0	99,495,821	0	99,495,821	27,807,846
TRANSPORTATION						
Local Transport Plans	6,726,922	165,748	6,892,670	0	6,892,670	1,242,168
Other Transport Schemes	20,180,552	90,000	20,270,552	50,000	20,320,552	1,529,884
Developer Agreements	1,169,430	22,352	1,191,782	205,780	1,397,562	706,641
TRANSPORTATION	28,076,904	278,100	28,355,004	255,780	28,610,784	3,478,693
OTHER SCHEMES						
Private Sector Housing	2,354,080	15,232	2,369,312	0	2,369,312	269,298
Building Management & Asset Review	1,235,057	0	1,235,057	745,000	1,980,057	13,345
Parks, Museums & Cemeteries	283,054	0	283,054	0	283,054	7,762
Energy Efficiency Schemes	1,831,922	38,000	1,869,922	0	1,869,922	1,645
Other Schemes	3,544,124	0	3,544,124	305,000	3,849,124	1,345,293
OTHER SCHEMES	9,248,237	53,232	9,301,469	1,050,000	10,351,469	1,637,343
Total Approved Capital MTFP	190,138,688	293,332	190,432,020	1,305,780	191,737,800	40,109,873

Covid Recovery

Civic Enforcement

The Council has seen a worsening of public perception in terms of crime and anti-social behaviour. These problems have been exacerbated further by the pandemic and with many of our residents being in lockdown. The additional resource will allow for an enhanced service to be delivered in support of the re-opening of the local economy and post-pandemic recovery in Stockton on Tees.

Targeted Care For Your Area (CFYA)

The additional resource allocation in CFYA will allow for an enhanced street cleansing service to be delivered post-pandemic. The Covid-19 outbreak inevitably led to some reduction in service levels in street cleansing, which includes litter picking and weed clearance.

Highways/Potholes

Additional resource to improve road surfacing issues which have been exacerbated due to reduced maintenance during the pandemic.

Support for delivery of a Fairer Stockton On Tees Framework

Employment of a temporary coordinator for the remainder of this year, and to support developmental work in target areas and with communities.

Employment Hub

To support the previously agreed Stockton-on-Tees Employment & Training Hub, in particular the capital works associated with the central hub located within Wellington Square in Stockton town centre. This permanent hub will replace the existing temporary facility.

Skills Support

A key part of the Stockton-on-Tees Employment and Training Hub will be to identify gaps in current skills provision and also support businesses with specific, tailored skills support, therefore it is proposed that £200,000 be allocated to support such initiatives

Early Years Communications

To support the costs of an enhanced programme of early years speech, language and communication in partnership with a national charity (I-CAN) to tackle early development delay associated with the absence of regular, organised early years provision during COVID-19 and to support the implementation of the Best Start strategy.

ICT/Digital Improvements

Additional IT and digital-solutions staff to catch up on work delayed by both key personnel isolating and also staff being redirected to COVID tasks. Also new functionality for web-based services through the GOSS work programme has been delayed whilst resources have inevitably been diverted to Covid related issues such as setting up of new booking systems.

Technology to Support Income Collection

Timely and efficient methods of income collection are increasingly important in the context of the financial impacts of the Pandemic. A software solution has been identified that would integrate with existing systems to support more efficient methods of collection.

Licensing Support

Funding for the continuation of support for Taxi and Markets Licensees.