

AGENDA ITEM

**REPORT OF CORPORATE
MANAGEMENT TEAM**

14 JULY 2022

**REPORT OF DIRECTOR OF
FINANCE, DEVELOPMENT
& REGENERATION AND
DEPUTY MANAGING
DIRECTOR**

MEDIUM TERM FINANCIAL PLAN – DRAFT OUTTURN MARCH 2022

SUMMARY

This report updates Cabinet on the draft financial performance and position as at 31 March 2022. Members will be aware from previous reports that the 2021/22 financial position continued to be impacted by the Covid pandemic.

Overall there is an improvement in the draft outturn 2021/22 financial position compared to that projected at December of around £1.4m. This Report sets out the breakdown but the key reasons are:

- Additional grant and income being received, including Covid 19 Support funding for 2021/22 and the final instalment of the Covid 19 Sales, Fees and Charges Income Compensation Scheme.
- Some projected pressures were lower than anticipated and additional savings were achieved.

The Report highlights the inflationary pressures currently being experienced by local authorities and sets out that these will be considered further in future MTFP update reports.

There is a continued national pressure in respect of Dedicated Schools Grant, specifically in relation to Special Education Needs and Disabilities. For Stockton this has resulted in a cumulative pressure of £5.48m at the end of 2021/22. Statutory guidance is clear that this should be held separately and not funded from the General Fund, and the Council are working on a plan to resolve this position over the medium term and will continue to lobby for additional funding.

The Capital Programme has been updated to incorporate new schemes and reflect those schemes completed as at the financial year end.

REASON FOR RECOMMENDATION

To update Cabinet on the Medium Term Financial Plan, including the draft outturn position for 2021/22.

RECOMMENDATION

1. Note the draft outturn position for the year ended 31 March 2022 and the updated Capital Programme.

DETAIL**FINANCIAL POSITION AS AT 31 MARCH 2022****GENERAL FUND**

1. There have been a number of changes in recent years to the timescales by which local authorities are required to prepare a draft Statement of Accounts for the previous year. The draft Statement of Accounts for 2021/22 is required to be produced by 31 July, with final, audited, accounts by 30 November. For Stockton we are currently planning that the draft accounts will be submitted to the Audit and Governance Committee on 25 July 2022.
2. The following table sets out the draft financial position for each Directorate at 31 March 2022. The reasons for any significant variances from those previously reported are summarised in the paragraphs below.

Directorate	Annual Budget £'000	Actual Outturn £'000	Actual Variance Over/(Under) £'000	Forecast Variance at Q3 Over/(Under) £'000	Movement from Q3 £'000
Adults & Health	75,583	74,827	(756)	108	(864)
Children's Services	41,003	44,478	3,475	3,236	239
Community Services & Transport	39,223	38,604	(619)	(139)	(480)
Environment, Culture, Leisure & Events	9,836	9,715	(121)	(188)	67
Admin/Democratic Services & Xentrall	8,779	8,810	31	115	(84)
Finance, Development & Business Services	10,308	10,204	(104)	(22)	(82)
HR, Legal and Communications	5,342	5,283	(59)	(75)	16
Town Centre Investment	(1,251)	(467)	784	738	46
Corporate Areas	6,757	6,261	(496)	(243)	(253)
Capital Schemes	0	230	230	230	0
Total	195,580	197,945	2,365	3,760	(1,395)
Government Grants Covid-19 Support		(5,623)	(5,623)	(5,623)	0
Government Grants – Covid-19 Income Loss Compensation		(445)	(445)	(467)	22
Government Grants – Covid-19 Business Grants Admin Funding		(368)	(368)	(329)	(39)
Revised Total	195,580	191,509	(4,071)	(2,659)	(1,412)

Covid 19 Funding

3. The financial position was supported in 2021/22 by the Government Covid 19 Support Grant and by the final instalment of the Covid 19 Sales, Fees and Charges Income Compensation Scheme.

Adults and Health

4. Elements of the covid related volatility experienced in the previous year continued into 2021/22 as services emerged from the effects of the Pandemic. This context of Covid recovery led to lower than budgeted activity on residential placements (£441,000) and domiciliary packages (£447,000) was partly offset by an increase in the number and cost of direct payment

packages, particularly for Learning Disability services (£325,000). Additional savings also arose due to staffing vacancies and to lower than anticipated costs of staff travel (£283,000).

Children's Services

5. Significant cost pressures in this Directorate, particularly relating to the costs of supporting Children in Need and Children in our Care, had been identified and reported throughout the course of the financial year. In particular the pressures relating to Children in Our Care continued through to the year-end resulting in an increase in the overspend by £239,000, with the largest element being for external residential care placements (£145,000). Significant additional resources have been allocated to this area in the Budget for 2022/23 and across the MTFP.

Community Services and Transport

6. Overall the Directorate shows an improved position at year end. This was for a range of reasons. Additional income was received in respect of payment for Facilities Management services from a range of external organisations (£188,000), together with additional income for other services including Catering, Street Lighting and Recycling. Lower than projected expenditure on Landfill tonnage costs (£52,000) and on the costs of Storm Clearance (£78,000) also contributed to the position.

Corporate Areas

7. The position at year end improved by £253,000 as a result of a combination of additional funding for business rate reliefs (£81,000) together with a combination of a number of more minor items.

Other Directorates/Areas

8. There were no significant overall movements from the position projected at Quarter 3 for the remaining directorates/areas.

Dedicated Schools Grant – High Needs Block

9. There continues to be significant pressure on the High Needs Block within the Dedicated Schools Grant. This relates to pressures on the provision of services for Children with Special Education Needs and Disabilities. Whilst this is ring-fenced schools funding and does not affect the Council's MTFP, the deficit in Stockton was £5.480m at 31 March 2022, a reduction of £0.572m from the previous year. Statutory guidance is clear that this should be held separately and not funded from the General Fund. The Council are working on a plan to resolve this position over the medium term and will continue to lobby for additional funding.

General Fund Balances

10. The position on General Fund Balances is summarised below:

	£m
Opening Balance at 1 April 2021	12.879
Add Underspend on Budget in 2021/22	4.071
Revised Total General Fund Balances	16.950
Less Sums allocated in MTFP (Budget Report February 2022)	(7.537)
Revised General Fund Balances as at 31 March 2022	9.413

11. Total General Fund Balances at 31 March 2022 are £9.413m, £1.413m in excess of the current agreed level of £8.0m.
12. Use of the excess sum of £1.413m will be considered in forthcoming updates to the Medium Term Financial Plan.

Inflationary Pressures/MTFP

13. Members will be aware of the considerable inflationary pressures impacting on the cost of goods and services. These will inevitably have an impact on the financial position of local authorities both in the current financial year and into the medium term. Those of particular relevance include:

- Energy Costs
- Fuel Costs
- Food costs
- Costs of Vehicles
- Construction Costs
- Pay Award

The impacts are currently being assessed and will be included in future update reports on the Medium Term Financial Plan.

CAPITAL

14. The Capital Programme is summarised below and shown at **Appendix A**.

CAPITAL PROGRAMME Up to 2024	Current Approved Programme £'000	Programme Revisions £'000	Completed Schemes 2020/21	Variances (Completed Schemes)	Revised Programme	New Approvals	Revised Programme
Schools Capital	41,569	0	(10,071)	11	31,508	5,748	37,257
Housing Regeneration & Inclusive Growth & Development	42,664	0	(6,376)	0	36,288	0	36,288
Town Centres	103,411	(1)	(27,236)	0	76,174	20,000	96,174
Transportation	30,307	590	(9,776)	(414)	20,707	4,764	25,471
Other Schemes	20,919	26	(4,947)	(45)	15,954	918	16,872
Total Approved Capital MTFP	238,870	615	(58,406)	(448)	180,631	31,430	212,062

15. Members will note that the programme has been updated to reflect the approvals contained within the 2022/23 Budget Report and to reflect changes to the programme resulting from the sourcing of external funding. The changes are summarised in **Appendix B**. The Programme has also been updated to reflect schemes which have completed in 2021/22.

COMMUNITY IMPACT IMPLICATIONS

16. 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

17. None

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

19. There are no specific legal implications.

RISK ASSESSMENT

20. This Medium Term Financial Plan update report 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

21. N/A

BACKGROUND PAPERS

22. None

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APPENDIX A

CAPITAL PROGRAMME Up to 2024	Current Approved Programme	Programme Revisions	Revised Programme	Completed Schemes 2021/22	Variances (Completed Schemes)	Revised Programme	New approvals	Revised Programme
SCHOOL CAPITAL								
School Investment Programme	41,568,878	0	41,568,878	(10,071,034)	10,625	31,508,469	5,748,058	37,256,527
SCHOOLS CAPITAL	41,568,878	0	41,568,878	(10,071,034)	10,625	31,508,469	5,748,058	37,256,527
HOUSING REGENERATION & INCLUSIVE GROWTH & DEVELOPMENT								
Housing Regeneration	1,714,097	0	1,714,097	(143,263)	0	1,570,834	0	1,570,834
Inclusive Growth & Development	40,950,000	0	40,950,000	(6,232,637)	0	34,717,363	0	34,717,363
HOUSING REGENERATION & INCLUSIVE GROWTH & DEVELOPMENT	42,664,097	0	42,664,097	(6,375,900)	0	36,288,197	0	36,288,197
TOWN CENTRES								
Stockton Town Centre Schemes	29,771,920	(700)	29,771,220	(26,954,534)	0	2,816,686	0	2,816,686
Reshaping Town Centres	20,807,204	0	20,807,204	0	0	20,807,204	0	20,807,204
Thornaby Town Centre	7,095,440	0	7,095,440	0	0	7,095,440	0	7,095,440
Re-Development of Castlegate Site	43,543,812	0	43,543,812	0	0	43,543,812	0	43,543,812
Yarm & Eaglescliffe LUF	0	0	0	0	0	0	20,000,000	20,000,000
Infrastructure Enhancements, Regeneration & Property Acquisitions	2,192,720	0	2,192,720	(281,650)	0	1,911,070	0	1,911,070
TOWN CENTRES	103,411,096	(700)	103,410,396	(27,236,184)	0	76,174,212	20,000,000	96,174,212
TRANSPORTATION								
Local Transport Plans/ City Regional Sustainable Transport	7,274,692	52,936	7,327,628	(6,969,189)	30,826	389,265	4,436,739	4,826,004
Other Transport Schemes	20,404,202	341,919	20,746,121	(2,549,100)	(399,758)	17,797,263	0	17,797,263
Developer Agreements	2,627,719	194,917	2,822,636	(257,664)	(44,727)	2,520,245	327,080	2,847,325
TRANSPORTATION	30,306,613	589,771	30,896,384	(9,775,953)	(413,659)	20,706,772	4,763,819	25,470,591
OTHER SCHEMES								
Private Sector Housing	2,373,385	35,292	2,408,677	(1,892,497)	0	516,180	0	516,180
Building Management & Asset Review	2,705,120	(8,379)	2,696,741	(562,847)	0	2,133,894	0	2,133,894
Parks, Museums & Cemeteries	891,144	3,177	894,321	(241,003)	0	653,318	0	653,318
Energy Efficiency Schemes	1,894,922	(251,000)	1,643,922	(265,848)	(45,152)	1,332,922	0	1,332,922
Other Schemes	13,054,641	247,296	13,301,937	(1,984,682)	(56)	11,317,199	918,268	12,235,467
OTHER SCHEMES	20,919,212	26,386	20,945,598	(4,946,877)	(45,208)	15,953,513	918,268	16,871,782
Total Approved Capital MTFP	238,869,896	615,457	239,485,353	(58,405,948)	(448,241)	180,631,164	31,430,145	212,061,309

APPENDIX B

Programme Revisions 2021/22

Transport

£275,000 additional TVCA grant to progress Portrack Relief Road detailed design works has been added to the capital programme.

Other

The District Heating scheme (£340,000) is not progressing and the corporate resource match has been removed from the Capital Programme.

Due to increased vehicle costs an additional £247,296 has been added to the capital programme, bringing the total planned investment in replacement vehicles in 2022/23 to £3,623,749.

Completed Schemes 2021/22

Schools Capital

Planned Maintenance Schemes on a range of schools have been delivered in 2021/22.

The SEN works at Ash Trees Academy and Myton Park Academy completed in year.

The works to remodel Redhill Childrens Centre have completed in year.

A number of grants to help schools build and improve Early Years outdoor play facilities have been paid in year.

The expansion works at All Saints Academy (£3.1m) and Out Lady & St Bede (£4.4m) have completed and have been removed from the capital programme.

Housing Regeneration & Inclusive Growth & Development

Spend in respect of Victoria Regeneration peripheral works and project team costs have been removed from capital programme.

The acquisition of Durham Lane Industrial Estate (£3m) and Dunedin House (£3.2m) completed in year and have been removed from the capital programme.

Town Centre Schemes

The development phase in respect of the Townscape Heritage Scheme is complete and the costs have been removed from the capital programme.

The refurbishment works in respect of The Globe Theatre completed in year (£26.8m).

£281,650 spend in respect of Yarm Wharf, Site Signage and property acquisition have been removed from the programme.

Transportation

£6.97m has been spent delivering schemes as part of the Local Transport Plan programme.

The construction works associated with the closure and diversion of Belasis Avenue to facilitate the expansion of Fiji Film Diosynth Biotechnologies has completed in year.

A number of S278 Access works fully funded via Developer contributions completed in year and have been removed from the capital programme.

The business case development costs in respect of the access works at Eaglescliffe Station have completed in year and have been removed from the programme with the unspent grant to be returned to TVCA.

The detailed design works in respect of Portrack Relief Road completed in year.

Other schemes

£1.9m has been spent on Disabled Adaptations in homes across the Borough.

A number of planned maintenance schemes have been delivered across a range of Council Buildings.

A number of parks and cemeteries schemes have completed in year and have been removed from the Capital Programme.

The works to install LED lights at both Infinity Bridge and Northfield Academy as part of the Public Sector Decarbonisation programme completed in year.

Acquisition of vehicles costing £1.2m has been removed from the capital programme.

New approvals 2021/22

School Capital

Following DFE announcements in March 2022 £1,164,190 the 2022/23 SCA grant allocation of £1,164,190 has been added to the Capital Programme, together with Higher Needs Provision Capital allocations of £1,927,798 for 2022/23 and £2,656,070 for 2023/24.

Members will recall that as part of the School Investment Strategy report presented in April 2021 £4.5m of funding was approved to deliver a required intervention extending and refurbishing the Bishopton Centre Pupil Referral Unit (PRU). As a result of tender prices being significantly higher, £1.2m of the High Needs Capital allocation above has been earmarked to ensure this intervention is deliverable, resulting in a total investment of £5.7m. The remaining allocations will be considered in a future School Investment report to Cabinet.

Town Centres

Following receipt of a Memorandum of Understanding from DLUHC in February 2022 £20m grant in respect of Yarm & Eaglescliffe Levelling Up has been added into the capital programme.

Transportation

The 2022/23 City Regional Sustainable Transport allocation of £4,436,739 has been added to the Capital Programme. The 2022/23 programme of works includes £984,809 for carriageway re-surfacing, £500,000 for Bishopton Road West new footbridge and £810,000 in respect of Eaglescliffe Station.

£327,080 to create Long Stay Car parking provision in Yarm Town Centre, fully funded via Developer Contribution, has been added to the programme.

Other schemes

£513,305 capitalised ICT costs in respect of Adults and Children's ICT Systems replacement fully funded via Revenue Contributions has been included within the programme and removed as purchase complete.

£404,963 has been added to the Capital Programme in respect of SBC share of the Joint Waste Management Strategy for Residual Municipal Waste Treatment, funded via loan from TVCA.