

AGENDA ITEM

**REPORT OF CORPORATE
MANAGEMENT TEAM**

27 JULY 2021

**REPORT TO EXECUTIVE
SCRUTINY COMMITTEE**

MEDIUM TERM FINANCIAL PLAN – DRAFT OUTTURN MARCH 2021

SUMMARY

This report updates Executive Scrutiny on the draft financial performance and position as at 31 March 2021. Members will be aware from previous reports that the 2020/21 financial position has been significantly affected by the Covid pandemic. The report outlines significant additional costs and pressures in the financial year and outlines the funding received from Government to support the Council in managing the financial situation.

Despite the Council incurring significant costs, there is an overall improvement in the draft outturn 2020/21 financial position compared to that projected at December of around £5.5m. This Report sets out the breakdown but the key reasons are:

- Additional grant and income being received
- Some projected pressures were actually lower than anticipated and additional savings were achieved.
- Additional funding was received to support Outbreak Management late in the year and this was utilised to support the costs of staff working on this area, where previously it was anticipated there would be a call on core budget.

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

There is a continued national pressure in respect of Dedicated Schools Grant, specifically in relation to Special Education Needs and Disabilities. For Stockton this will result in a cumulative pressure of £6.05m. National 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.

RECOMMENDATION

That the Committee considers the report

DETAIL**FINANCIAL POSITION AS AT 31 MARCH 2021****GENERAL FUND**

1. In usual circumstances local authorities are required to prepare a draft Statement of Accounts for the previous year by 31 May, with the final, audited, accounts approved by the end of July. In recognition of the extra-ordinary current circumstances MHCLG and the professional accountancy bodies have agreed that this timetable again be temporarily amended. Therefore, the draft Statement of Accounts for 2020/21 is now required to be produced by 31 July, with final, audited, accounts by 30th September. For Stockton we are currently planning that draft accounts will be submitted to the Audit and Governance Committee on 19 July 2021.
2. The following table sets out the draft financial position for each Directorate as at 31 March 2021. 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 Q3 Over/(Under) £'000	Movement from Q3 Over/(Under) £'000
Adults & Health	73,774	73,976	202	1,677	(1,475)
Children's Services	37,092	42,672	5,580	5,566	14
Community Services & Transport	35,478	37,214	1,736	2,463	(727)
Environment, Culture, Leisure & Events	9,428	10,541	1,113	1,738	(625)
Admin/Democratic Services & Xentrall	7,828	7,799	(29)	(106)	77
Finance, Development & Business Services	9,324	9,360	36	639	(603)
HR, Legal and Communications	5,027	4,296	(731)	(233)	(498)
Town Centre Investment	(1,144)	(954)	190	120	70
Corporate Areas	11,007	10,079	(928)	(425)	(503)
Directorates Total	187,814	194,983	7,169	11,439	(4,270)
Capital Schemes	0	826	826	1,700	(874)
Other Covid Costs	0	1,806	1,806	2,253	(447)
Govt Grants Covid-19 Support	0	(16,499)	(16,499)	(16,499)	0
Govt Grants Covid-19 Income Loss Comp	0	(1,574)	(1,574)	(1,600)	26
Funding of Collection Fund Deficits 20-21	0	1,614	1,614	1,527	87
Excess General Fund Balances 19-20	0	(332)	(332)	(332)	0
Total	187,814	180,824	(6,990)	(1,512)	(5,478)
Funding of 21-22 Approved One Off Items		1,200	1,200		
Approved c/f to Support 21-22 MTFP		312	312		
Overall Total	187,814	182,336	(5,478)		

Use of Test and Trace/COMF Funding

3. Many services have contributed to supporting the response to the pandemic, particularly around providing direct support to outbreak management, much of this from within existing capacity. Previous reports had assumed that these costs would be from core Council resources, however additional income received in this area has meant that some of the costs could be funded from within this additional funding source. This effectively releases core resources, however additional costs have already been incurred in the current financial year

and there is still uncertainty around the future costs of supporting the response to and the recovery from the pandemic.

Children's Services

4. 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. Plans to deliver savings were inevitably delayed by the restrictions of the Pandemic. There was minimal movement at year. Significant additional resources have been allocated to this area in the Budget for 2021/22 and across the MTFP.

Adults and Health

5. Financial year 2020/21 was a particularly volatile one for the functions of the Adult and Health Directorate. Supplier relief to care providers amounted to £2.2m and financial support to providers of Day Care, while their services were either closed or operating at restricted capacity due to Covid restrictions, amounted to over £1.3m. An increase in the number and value of care packages funded by the CCG (including discharge support) and reduced Day Care and Direct Payment packages were primary reasons for an improved financial position at the year end. Support amounting to £3.3m was received from the CCG for discharge support and a further £0.9m towards support for other services. Environmental Protection staff played a key role in outbreak response and therefore expenditure was funded from the Contain Outbreak Management Fund (£602,000).

Community Services and Transport

6. Overall the Directorate shows an improved position at year end. This was for a range of reasons which included:
 - Improvement in income from recycling (price per tonne) in the latter part of the year (£126,000). This area remains highly volatile.
 - Community Transport – Further Covid related funding helped offset expenditure (£105,000).
 - Grounds Maintenance – Lower than projected costs of materials and recruitment savings (£120,000).
 - Expenditure and income for certain other services such as Catering and Street Cleansing were particularly volatile.
 - A number of staff were working on outbreak management activity and were funded from grant funding releasing £150,000.

Environment, Culture, Leisure and Arts

7. As reported during the year expenditure on Events was significantly reduced due to the impact of the Pandemic. In order to ensure that Arts Council funding is protected it is necessary to carry forward match funding to 2021/22, therefore a sum of £210,000 has been earmarked and carried forward to 2021/22 to support SIRF. The Budget for 2020/21 also included an allocation of £300,000 in respect of funding for cultural events in areas other than central Stockton. This funding has been carried forward for use in 2021/22.

Leisure facilities operated by Tees Active Leisure (TAL) were closed for much of the pandemic on government advice and despite TAL making significant efforts in reducing costs significant financial support was required (leisure facilities were not eligible for the MHCLG Sales, Fees and Charges Income Compensation Scheme). The impact had been expected to be as high as £2,000,000 but this was reduced to £1,192,000 at year end due to a combination of income

received from the National Leisure Recovery Fund of £141,000 (for the period January 2020 to April 2020) and to TAL taking the opportunity to further manage costs.

Administration, Democracy and Xentrall

8. No significant variance from that previously reported.

Finance, Development & Business Services

9. The primary reason for the improved position at year end was that significant planning fee income above that budgeted was received in the latter part of the financial year (£300,000). In addition, staff vacancies across a range of teams contributed to a further underspend.

HR, Legal and Communications

10. A significant level of support was provided in respect of community engagement and marketing and this was funded from specific grants which has released £420,000.

Town Centres Team

11. There were no further significant variances at year end.

Corporate Areas

12. Previously identified savings on treasury management costs (AMRA Account) materialised as expected at year end (£576,000). Stockton's confirmed allocation from the locally pooled Better Care Fund was higher than previously projected following agreements with the local CCG (£457,000). Savings associated with Designated Authority costs (re Cleveland County Council) of £102,000 were partly offset by higher external audit fees (£42,000).

Additional Funding for Capital Schemes

13. Reports to Cabinet and Council during 2020/21 had highlighted the impact of the Pandemic on the delivery of two capital schemes in particular, the Ingleby Barwick Leisure Facility and The Globe.

- Ingleby Barwick Leisure Facility – An additional sum of £500,000 was earmarked to address the cost impact of the Covid Pandemic on the Scheme of which £400,000 was required in 2020/21.
- The Globe – An additional sum of £1,200,000 was earmarked to address the estimated Covid cost impact. Since this allocation of the £1.2m we have received additional funding of £774,000 which has reduced the required contribution to £426,000.

Other Covid Costs

14. Final expenditure was lower than projected at Quarter 3 partly due to elements being covered by specific Covid related grant funding. Final year end expenditure on PPE and on other miscellaneous Covid costs was lower than projected (£179,000) and additional funding was received in relation to New Burdens (£138,000) and for supporting the clinically extremely vulnerable (£123,000), both of which have offset expenditure elsewhere in the core budget.

COLLECTION FUND

15. At the time that the Budget was set there was a net projected pressure of £1.527m in respect of these areas. This has increased to £1.614m at outturn, an increase of £87,000. This revised sum has been set aside to repay the 2020/21 deficits over three years, as required by MHCLG.

Dedicated Schools Grant – High Needs Block

16. 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 £6.052m as at 31 March 2021. Although additional funding has been provided by Government the position remains extremely challenging. Deficits in High Needs budgets is a national issue and we are currently reviewing the overall position.

General Fund Balances

17. Total general fund balances at 31st March 2021 were £12.878m, £5.478m in excess of the current agreed level of £7.4m. That current agreed level (£7.4m) was set in the pre-Covid financial environment and it is timely to review the overall position and this will be undertaken in advance of the 2022/23 Budget Report.
18. The Council Plan includes a priority to support recovery from the pandemic, both from a health perspective and supporting people affected into work. Work is also ongoing in relation to the priority around an approach to tackling inequalities and supporting people living in poverty. Clearly these issues are to some degree inter linked and it is likely that this will identify a requirement for one off resources and this is being considered.
19. We will also continue to incur additional costs relating to the Covid Pandemic in the 2021/22 financial year and early indications suggest that we are likely to see further impacts around the following areas:
- Adult Social Care Costs – e.g. Occupancy Support Scheme
 - Children's Social Care transformation – potential further delays in delivering savings
 - Leisure Facilities
 - Waste Collection and Disposal
 - Income
 - Council Tax and Business Rates collection
20. The level of expenditure on future Covid costs and potential use of reserves to support recovery will be considered in future Medium Term Financial Plan update reports.

Longer term impact on MTFP

21. The impact of Covid 19 on the medium to longer term financial position of the Council remains very uncertain. We are anticipating a Spending Review in the Autumn and the Fair Funding Review and implementation of 75% business rates retention will not now be implemented until 2022/23 at the earliest.

Other Covid related funding

22. As reported to Cabinet and Council in February 2021 the Council also received a significant amount of specific Covid related funding. The table below summarises the position at year end.

Scheme	2020/21 Allocation £'000	2020/21 Received £'000	2020/21 Actual £'000	2020/21 Carried Forward £'000
Re-Opening High Streets Safely *	-175	0	0	0
Covid Compliance & Enforcement	-110	-110	110	0
Contain Outbreak Mgt Fund (Inc Test & Trace)	-3,679	-6,273	3,174	-3,099
Community Testing Programme	-699	-699	638	-61
Hardship Fund	-2,440	-2,440	2,298	-142
Winter Grant Scheme	-679	-679	679	0
Clinically Extremely Vulnerable People (Shielding)	-132	-697	137	-560
Emergency Assistance Grant	-239	-239	239	0
Emergency Active Travel Fund	-96	-96	96	0
Well Being For Education Return	-28	-28	28	0
Social Care Workforce Capacity Fund	-423	-423	423	0
Home to School Transport	-154	-419	419	0
Total	-8,854	-12,103	8,241	-3,862

* Reopening High Streets Safely is now incorporated within the Welcome Back Fund 2021/22

23. Members will see from the table above that a significant amount of funding was received late in the financial year. Services are still continuing to respond to the challenges of the Pandemic, particularly around outbreak management and it is unclear as to the level and duration of the support and activity. There are currently no indications of further funding and in line with expectations of the grants received this year, the balance of the £3.8m will be carried forward into the current financial year to support the response to outbreak management.

CAPITAL

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

CAPITAL PROGRAMME Up to 2023	Current Approved Programme £'000	Programme Revisions £'000	Revised Programme £'000	Completed Schemes 2020/21 £'000	Variations (Completed Schemes) £'000	Revised Programme £'000	New Approvals £'000	Revised Programme £'000
Schools Capital	37,055	(59)	36,996	(1,530)	0	35,465	6,142	41,607
Housing Regeneration & Inclusive Growth & Development	11,851	3	11,854	(143)	0	11,711	0	11,711
Town Centres	80,909	0	80,909	(957)	0	79,952	19,544	99,496
Transportation	11,845	262	12,107	(5,173)	(7)	6,927	21,150	28,077
Other Schemes	21,740	873	22,613	(17,484)	22	5,152	4,096	9,248
Total Approved Capital MTFP	163,400	1,079	164,479	(25,287)	15	139,207	50,932	190,139

25. Members will note that the programme has been updated to reflect the approvals contained

within the 2021/22 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 2020/21.

COMMUNITY IMPACT IMPLICATIONS

26. 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

27. None

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

29. There are no specific legal implications.

RISK ASSESSMENT

30. 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

31. N/A

BACKGROUND PAPERS

32. None

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APPENDIX A

CAPITAL PROGRAMME Up to 2023	Current Approved Programme	Programme Revisions	Revised Programme	Completed Schemes 2020/21	Variiances (Completed Schemes)	Revised Programme	New approvals	Revised Programme
SCHOOL CAPITAL								
School Investment Programme	37,054,599	(59,000)	36,995,599	(1,530,374)	0	35,465,225	6,141,653	41,606,878
SCHOOLS CAPITAL	37,054,599	(59,000)	36,995,599	(1,530,374)	0	35,465,225	6,141,653	41,606,878
HOUSING REGENERATION & INCLUSIVE GROWTH & DEVELOPMENT								
Housing Regeneration	1,850,769	2,796	1,853,565	(142,717)	0	1,710,848	0	1,710,848
Inclusive Growth & Development	10,000,000	0	10,000,000	0	0	10,000,000	0	10,000,000
HOUSING REGENERATION & INCLUSIVE GROWTH & DEVELOPMENT	11,850,769	2,796	11,853,565	(142,717)	0	11,710,848	0	11,710,848
TOWN CENTRES								
Stockton Town Centre Schemes	29,349,447	0	29,349,447	(3,118)	0	29,346,329	0	29,346,329
Reshaping Town Centres	27,662,960	(10,000,000)	17,662,960	0	0	17,662,960	3,000,000	20,662,960
Thornaby Town Centre	750,000	5,000,000	5,750,000	0	0	5,750,000	0	5,750,000
Re-Development of Castlegate Site	20,000,000	5,000,000	25,000,000	0	0	25,000,000	16,543,812	41,543,812
Infrastructure Enhancements, Regeneration & Property Acquisitions	3,146,919	0	3,146,919	(954,199)	0	2,192,720	0	2,192,720
TOWN CENTRES	80,909,326	0	80,909,326	(957,317)	0	79,952,009	19,543,812	99,495,821
TRANSPORTATION								
Local Transport Plans	6,604,168	176,633	6,780,801	(4,490,619)	0	2,290,182	4,436,740	6,726,922
Other Transport Schemes	4,070,729	11,362	4,082,091	(596,056)	(18,271)	3,467,764	16,712,788	20,180,552
Developer Agreements	1,170,298	74,236	1,244,534	(86,813)	11,709	1,169,430	0	1,169,430
TRANSPORTATION	11,845,195	262,231	12,107,426	(5,173,488)	(6,562)	6,927,376	21,149,528	28,076,904
OTHER SCHEMES								
Private Sector Housing	2,225,594	0	2,225,594	(1,713,602)	37,433	549,425	1,804,655	2,354,080
Building Management & Asset Review	1,162,510	(2,588)	1,159,922	(727,249)	0	432,673	802,384	1,235,057
Parks, Museums & Cemeteries	351,936	149,544	501,480	(284,486)	(13,940)	203,054	80,000	283,054
Energy Efficiency Schemes	423,319	132,100	555,419	(81,864)	(1,455)	472,100	1,359,822	1,831,922
Leisure Facility Ingleby Barwick	13,800,000	16,967	13,816,967	(13,816,967)	0	0	0	0
Other Schemes	3,777,122	576,892	4,354,014	(859,390)	0	3,494,624	49,500	3,544,124
OTHER SCHEMES	21,740,481	872,915	22,613,396	(17,483,558)	22,038	5,151,876	4,096,361	9,248,237
Total Approved Capital MTFP	163,400,370	1,078,942	164,479,312	(25,287,454)	15,476	139,207,334	50,931,354	190,138,688

APPENDIX B

Programme Revisions 2020/21

- £223,000 Revenue Contributin to Capital has been added to the capital programme in respect of the SBC 50% share for urgent repair works to the Transporter Bridge.
- £504,627 has been added to the Capital Programme in respect of the SBC share of the Joint Waste Management Strategy for Residual Municipal Waste Treatment, funded via loan from the TVCA.

Completed Schemes 2020/21

Schools Capital

- Planned Maintenance Schemes on a range of schools have been delivered in 2020/21.
- The SEN works at Ash Trees Academy completed in year.
- A number of schemes to help schools build and improve outdoor facilities have completed in year. (Healthy Pupils Capital Fund).

Housing Regeneration & Inclusive Growth & Development

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

Town Centre Schemes

- Demolition of Glam and the Post Office was completed in year.

Transportation

- (£4.5m) has been spent delivering schemes as part of the Local Transport Plan programme.
- A66/ Yarm Road Cycleway and Acklam Road, Thornaby Cycleway completed in year and have been removed from the capital programme.
- Hostile Vehicle Mitigation/ Event Security measures completed in year.

Other schemes

- (£1.6m) has been spent on Disabled Adaptations in homes across the Borough.
- Spend to support Homeowner Improvement loans has been removed from the Capital Programme.
- A number of planned maintenance schemes have been delivered across a range of Council Buildings.
- A number of parks schemes have completed in year and have been removed from the Capital Programme, including Devenport Road Play area.
- £111,000 financial assistance provided to Children's carers for extensions/ adaptations to their homes to meet the needs of children and young people to live in a family environment has been removed from the Capital programme.
- Acquisition of vehicles costing (£0.75m) has been removed from the capital programme.
- Construction of the Ingleby Barwick Leisure Facility completed in year.

Programme Additions 2020/21

School Capital

- Following DFE announcements in April 2021, £1,324,868 2021/22 SCA grant allocation and £876,119 Higher Needs Provision capital allocation have been added to the capital programme.
- £3,840,666 Education S106 Developer contributions and £100,000 contribution from the Academy Trust to support the planned investment in Egglecliffe School has been added to the capital programme as detailed in the Investment Strategy for Schools, SEN and Early Years Report approved by Cabinet in April 2021.

Town Centres Schemes

- £3,000,000 approved in February 2021 by Cabinet to support the programme of works at Ingleby Barwick, Norton and Yarm Town Centres has been added to the capital programme.
- Following the successful Future High Street Fund Bid, £16,543,812 has been added into the Capital Programme to support delivery of the re-development of the Castlegate Site.

Transportation

- 2021/22 LTP grant allocation £3,029,840, (which includes £357,958 Incentive Funding) and £1,406,900 Pothole Action fund Grant has been added to the Capital Programme. The 2021/22 programme of works includes £2m for Mandale Bridge and £1.6m for Carriageway Resurfacing.
- £16,712,788 in respect of Highway works required at Elton Interchange, Darlington Back Lane and Yarm Back Lane as a result of the West Stockton Strategic Urban Expansion funded via £10,000,000 Housing Infrastructure Fund and £6,712,788 Developer Contributions has been added to the capital programme.

Other schemes

- £1,804,655 2021/22 Disabled Facilities Grant has been added to the capital programme.
- £802,384 Planned Investment in Council Buildings has been added to the Capital Programme which includes £140,000 in respect of the Travellers Site, Bowesfield Lane.
- Following successful application to the Public Sector Decarbonisation Scheme, £182,763 grant has been added to the Capital Programme to support Energy Efficiency/ Decarbonisation measures at Northfield School, Infinity Bridge LED light replacement and Cowpen Depot Solar Panels.
- £1,177,059 Green Homes Grant Local Authority Delivery Phase 2 has been added to the capital programme to improve the energy efficiency of homes of low-income households and reduce fuel poverty