

**AGENDA ITEM**

**REPORT TO EXECUTIVE  
SCRUTINY**

**5 SEPTEMBER 2023**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

**MEDIUM TERM FINANCIAL PLAN – DRAFT OUTTURN MARCH 2023**

**SUMMARY**

This report provides an update on the draft financial performance and position as at 31 March 2023.

Overall there is an improvement in the draft outturn 2022/23 financial position compared to that projected at December of around £200,000.

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.

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

**RECOMMENDATION**

1. That the draft outturn position for the year ended 31 March 2023 and the updated Capital Programme be noted.

**DETAIL**

**FINANCIAL POSITION AS AT 31 MARCH 2023**

**GENERAL FUND**

1. The following table sets out the draft financial position for each Directorate at 31 March 2023. The reasons for any significant variances from those previously reported are summarised in the paragraphs below.

<b>Directorate</b>	<b>Annual Budget</b>	<b>Actual Outturn</b>	<b>Actual Variance Over/(Under)</b>	<b>Forecast Variance at Q3 Over/(Under)</b>	<b>Movement from Q3</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adults & Health	81,294	78,705	(2,589)	(2,593)	4
Children's Services	44,682	51,593	6,911	6,359	552
Community Services, Environment & Culture	51,564	50,964	(600)	174	(774)
Finance, Development & Regeneration	14,784	14,123	(661)	(764)	103
Corporate Services	11,790	10,898	(892)	(1,025)	133
Corporate Items	4,623	3,359	(1,264)	(1,046)	(218)
<b>Total</b>	<b>208,737</b>	<b>209,642</b>	<b>905</b>	<b>1,105</b>	<b>(200)</b>
Pay Offer Pressure		2,835	2,835	2,835	0
<b>Revised Total</b>	<b>208,737</b>	<b>212,477</b>	<b>3,740</b>	<b>3,940</b>	<b>(200)</b>
Excess General Fund Balances b/f from 2021/22			(1,413)	(1,413)	0
<b>Revised Balance</b>			<b>2,327</b>	<b>2,527</b>	<b>(200)</b>
<b>Release earmarked reserves to balance outturn position</b>			<b>(2,327)</b>	<b>(2,527)</b>	200

Adults and Health

2. Activity around residential services and homecare was slightly less than forecast (£300,000) which has been offset by greater investment in support for carers and one-off environmental health expenditure.

Children's Services

3. The unprecedented cost pressures relating to Children in our Care, which have been identified and reported throughout the course of the financial year, continued into the final quarter of 22/23. Growth in the demand for external residential placements and greater complexity of needs, leading to higher costs, have led to a further overspend of £530,000.
4. As detailed in previous reports, the unprecedented financial issues across the residential market are wide ranging and well publicised. In recent years the Children in our Care budget has had significant additional resources applied across the MTFP and the Children's Capital Investment Strategy for Children in our Care with additional needs, which has previously been approved by Cabinet, identified areas to target to address some of the main problem areas. This continues to be one of the greatest areas of financial challenge for the Council and this area will be one of the key focuses of the transformation programme.

### Community Services, Environment & Culture

5. Overall the Directorate shows an improved position at year end. This was for a range of reasons. Savings on waste disposal costs due to reduced tonnages (£270,000), alongside a reduction in fuel prices and usage (£150,000). A mild winter and subsequent saving on winter maintenance (£70,000) and a greater saving on vacant posts (£200,000).

### Finance, Development & Regeneration

6. The position has moved by £123,000 due mainly to a pressure in respect of collection of rent allowance arrears.

### Corporate Services

7. The savings in relation to vacant posts was slightly less than anticipated.

### Corporate Items

8. Business rates income was higher than previously anticipated.

### **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 £3.87m at 31 March 2023, a reduction of £1.61m from the previous year. Statutory guidance is clear that this should be held separately and not funded from the General Fund. Through the Delivering Better Value Programme the Council are working with the Department for Education on a plan to resolve this position over the medium term.

### **General Fund Balances**

10. The total General Fund Balances at 31 March 2023 are £8m, in line with the agreed level and as outlined in the report to Cabinet in February 2023.
11. Members will recall that the report to Cabinet in February 2023 outlined a call on earmarked reserves of £2.527m to resolve the in year budget gap. This will now be reduced by the £200k improvement.

### **STATEMENT OF ACCOUNTS**

12. Members will recall in the Medium Term Financial Plan report to Council in February, that there were two issues outstanding relating to the 2021/22 accounts, before the Audit Completion Report could be taken to Audit and Governance Committee. These two issues were relating to the valuation of Infrastructure Assets and the audit of Teesside Pension Fund. Both of these issues have now been resolved however, a further issue has subsequently arisen relating to the triennial valuation of the Teesside Pension Fund.
13. This has generated a requirement for further audit assurance from the pension fund's auditors and they have committed to undertake the work as soon as possible which they have indicated will be in the Autumn. The backlog of local authority audits and the difficulties audit firms are facing has been well publicised and is a national issue affecting many local authorities and audit firms. Once we have received this assurance, the 2021/22 accounts will be brought back to Audit & Governance Committee for approval.

14. Due to the issues described above, there has subsequently been delays to the publication of the draft statement of accounts for 2022/23. Once completed the draft Statement of Accounts will be presented to Audit and Governance Committee and the Public Inspection Notice issued.
15. There continue to be ongoing issues of capacity within the audit sector for auditing local authority and pension fund accounts. This has been widely reported and our auditors have indicated that the timescales for when external audit can begin the audit of the Council's 22/23 accounts will be delayed until the autumn. Many local authorities are affected by the issues outlined above, causing the majority of authorities to be delayed in finalising their accounts.
16. This is an incredibly frustrating situation, as Stockton on Tees Borough Council have an unblemished track record in meeting publication and audit deadlines in relation to our Statement of Accounts. We continue to keep in regular contact with auditors and are regularly updating Audit and Governance Committee on progress.

### **Inflationary Pressures/MTFP**

17. Inflation continues to add pressure across the council's budgets. Despite some early indications of some improvements in some areas, costs still remain at a level higher than they were before COVID. We continue to monitor costs and look at ways we can mitigate the impact upon council services. Areas of pressure 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.

18. The employers pay award offer for 23/24 has been rejected by the trade unions. This rejected offer would create a budget pressure of £1.5m in year and across the MTFP.
19. Energy and fuel costs have started to fall compared to their recent high. Prices are forecast to fall below those previously estimated for future years. North East Procurement Organisation (NEPO) purchase energy on behalf of all of the North Eastern authorities. They balance affordability and sufficiency in determining the timing and quantities of energy purchased in advance. NEPO provide regular forecasts on energy prices and we will continue to monitor this and any updates will be brought back in future MTFP reports.
20. Members will be aware from previous reports that the Council will be embarking on a Transformation Programme and this is covered in a report elsewhere on the Agenda.
21. Work is ongoing on the transformation programme to look at financial sustainability and delivery outcomes to maintain vital council services.

### **CAPITAL**

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

CAPITAL PROGRAMME Up to 2024	Current Approved Programme £'000	Programme Revisions £'000	Revised Programme £'000	Completed Schemes 2022/23 £'000	Variances (Completed Schemes) £'000	Revised Programme £'000	New Approvals £'000	Revised Programme £'000
School Investment Programme & Childrens Services	47,084	454	47,538	(1,838)	(3)	45,698	932	46,630
Housing Regeneration Development & Growth	38,785	0	38,785	(3,161)	129	35,754	0	35,754
Town Centres	118,909	66	118,975	(449)	(3)	118,524	0	118,524
Transportation	46,603	281	46,884	(4,131)	(75)	42,678	561	43,239
Community & Environment, Culture & Leisure	13,023	778	13,801	(3,322)	78	10,558	7,185	17,743
Adults & Public Health	352	94	447	0	0	447	0	447
<b>Total Approved Capital MTFP</b>	<b>264,756</b>	<b>1,673</b>	<b>266,430</b>	<b>(12,901)</b>	<b>126</b>	<b>253,659</b>	<b>8,678</b>	<b>262,337</b>

23. Members will note that the programme has been updated to reflect the approvals contained within the 2023/24 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 2022/23.

### 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. 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

29. N/A

## **BACKGROUND PAPERS**

30. None

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## APPENDIX A

CAPITAL PROGRAMME Up to 2024	Current Approved Programme	Programme Revisions	Revised Programme	Completed Schemes 2022/23	Variances (Completed Schemes)	Revised Programme	New approvals	Revised Programme	Expenditure Apr 2017 - March 2023
<b>SCHOOL INVESTMENT PROGRAMME &amp; CHILDRENS SERVICES</b>									
School Investment Programme	39,414,569	354,186	39,768,755	(1,630,851)	5,586	38,143,490	182,275	38,325,765	15,523,547
Children Investment	7,669,214	100,085	7,769,299	(206,848)	(8,183)	7,554,268	750,000	8,304,268	344,327
<b>SCHOOL INVESTMENT PROGRAMME &amp; CHILDRENS SERVICES</b>	<b>47,083,783</b>	<b>454,271</b>	<b>47,538,054</b>	<b>(1,837,699)</b>	<b>(2,597)</b>	<b>45,697,757</b>	<b>932,275</b>	<b>46,630,032</b>	<b>15,867,874</b>
<b>HOUSING REGENERATION, DEVELOPMENT &amp; GROWTH</b>									
Housing Regeneration	1,598,330	0	1,598,330	(133,019)	0	1,465,311	0	1,465,311	133,019
Inclusive Growth & Development	7,726,642	0	7,726,642	(707,512)	(32,488)	6,986,642	0	6,986,642	1,052,257
Private Sector Housing	2,379,786	0	2,379,786	(2,320,823)	161,918	220,881	0	220,881	2,320,823
Office Accommodation	27,080,721	0	27,080,721	0	0	27,080,721	0	27,080,721	428,469
<b>HOUSING REGENERATION DEVELOPMENT &amp; GROWTH</b>	<b>38,785,479</b>	<b>0</b>	<b>38,785,479</b>	<b>(3,161,354)</b>	<b>129,430</b>	<b>35,753,555</b>	<b>0</b>	<b>35,753,555</b>	<b>3,934,568</b>
<b>TOWN CENTRES</b>									
Stockton Town Centre Schemes	2,846,175	18,276	2,864,451	0	0	2,864,451	0	2,864,451	679,311
Reshaping Town Centres	10,807,204	0	10,807,204	(52,743)	0	10,754,461	0	10,754,461	503,184
Billingham Town Centre	10,000,000	0	10,000,000	0	0	10,000,000	0	10,000,000	245,956
Thornaby Town Centre	29,800,440	0	29,800,440	0	0	29,800,440	0	29,800,440	1,532,412
Re-Development of Castlegate Site	43,543,812	0	43,543,812	0	0	43,543,812	0	43,543,812	11,539,384
Yarm & Eaglescliffe LUF	20,000,000	48,000	20,048,000	0	0	20,048,000	0	20,048,000	1,220,469
Infrastructure Enhancements, Regeneration & Property Acquisitions	1,911,070	0	1,911,070	(396,099)	(2,605)	1,512,366	0	1,512,366	434,717
<b>TOWN CENTRES</b>	<b>118,908,701</b>	<b>66,276</b>	<b>118,974,977</b>	<b>(448,842)</b>	<b>(2,605)</b>	<b>118,523,530</b>	<b>0</b>	<b>118,523,530</b>	<b>16,155,433</b>
<b>TRANSPORTATION</b>									
Local Transport Plans/ City Regional Sustainable Transport	23,128,677	252,898	23,381,575	(3,834,002)	(61,117)	19,486,456	561,149	20,047,605	1,007,538
Other Transport Schemes	19,793,309	15,035	19,808,344	(11,039)	(19,000)	19,778,305	0	19,778,305	14,101,058
Developer Agreements	3,680,874	13,238	3,694,112	(286,189)	5,428	3,413,351	0	3,413,351	2,553,085
<b>TRANSPORTATION</b>	<b>46,602,860</b>	<b>281,171</b>	<b>46,884,031</b>	<b>(4,131,230)</b>	<b>(74,689)</b>	<b>42,678,112</b>	<b>561,149</b>	<b>43,239,261</b>	<b>17,661,681</b>

<b>COMMUNITY &amp; ENVIRONMENT AND CULTURE &amp; LEISURE</b>									
Energy Efficiency Schemes	1,289,137	(550)	1,288,587	(140,000)	(15,863)	1,132,724	0	1,132,724	1,271,078
Environment and Green Infrastructure	4,361,365	529,423	4,890,788	(102,385)	17,661	4,806,064	6,772,710	11,578,774	2,259,274
Building Management	2,603,636	0	2,603,636	(415,720)	0	2,187,916	0	2,187,916	793,736
Vehicle Replacement	4,769,173	249,237	5,018,410	(2,663,581)	76,286	2,431,115	412,323	2,843,438	2,663,581
<b>COMMUNITY &amp; ENVIRONMENT AND CULTURE &amp; LEISURE</b>	<b>13,023,311</b>	<b>778,110</b>	<b>13,801,421</b>	<b>(3,321,686)</b>	<b>78,084</b>	<b>10,557,819</b>	<b>7,185,033</b>	<b>17,742,852</b>	<b>6,987,669</b>
<b>ADULTS &amp; HEALTH</b>									
Adults & Public Health Investment	352,177	94,451	446,628	0	0	446,628	0	446,628	45,459
<b>ADULTS &amp; HEALTH</b>	<b>352,177</b>	<b>94,451</b>	<b>446,628</b>	<b>0</b>	<b>0</b>	<b>446,628</b>	<b>0</b>	<b>446,628</b>	<b>45,459</b>
<b>Total Approved Capital MTFP</b>	<b>264,756,311</b>	<b>1,674,279</b>	<b>266,430,590</b>	<b>(12,900,811)</b>	<b>127,622</b>	<b>253,657,401</b>	<b>8,678,457</b>	<b>262,335,858</b>	<b>60,652,684</b>



## APPENDIX B

### Programme Revisions 2022/23

#### Schools Capital

- £352,849 added in respect of Academy contributions to the Secondary Schools Adaptations works, £200,000 Ian Ramsey changing rooms and reconfiguration and £152,849 St. Michael's MUGA.

#### Transport

- £160,000 for flood risk works and structural maintenance has been added to the capital programme, funded from RCCO's.

#### Other

- £160,922 added to Disabled Adaptations funded from client contributions and RCCO.
- £306,974 added to the capital programme for works at Ropner Park and Harold Wilson play areas, funded through developer contributions.
- £222,449 has been added the Capital Programme in respect of SBC share of the Joint Waste Management Strategy for Residual Municipal Waste Treatment, funded via loan from TVCA.
- £249,237 added to the Vehicle Replacement Fund for 2023/24 planned purchases, £412,323 included for 2024/25 vehicles with £2,663,581 spent in 2022/23. Vehicle purchases are funded from RCCO and receipts from sale of vehicles.

### Completed Schemes 2022/23

#### Schools Capital

- Planned Maintenance Schemes on a range of schools have been delivered in 2022/23.
- The final contribution to Abbey Hill expansion has been paid this year.

#### Housing Regeneration & Inclusive Growth & Development

- Victoria Regeneration peripheral works have been delivered this year.
- Employment Hub works have completed this year.

#### Town Centre Schemes

- The works to the party walls at the Glam/Post Office site have been completed, following the demolition work two years ago.
- Works to install two digital screens in Stockton have completed.

#### Transportation

- £3,834,003 has been spent delivering schemes as part of the City Regional Sustainable Transport programme.
- A number of S278 Access works fully funded via Developer contributions completed in year.

#### Other schemes

- £2,311,173 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.

- The works to install PV Panels at Cowpen Depot as part of the Public Sector Decarbonisation programme completed in year.
- Children's carers extension/adaptation works costing £206,848 have been delivered in year.

### **New approvals 2022/23**

#### **School Capital**

- Following DFE announcements in March 2023, £182,275 of Basic Need Grant from 2025/26 allocation has been added to the capital programme.

#### **Children's Services**

- £750,000 capitalised ICT costs in respect of Education Management System replacement, fully funded from Transformation Reserves has been included within the programme.

#### **Transportation**

- 2023/24 City Regional Sustainable Transport allocation £561,149 has been added to the Capital Programme for pot holes.

#### **Other schemes**

- £6,772,710 Flood Coastal Resilience Programme has been added to the programme, fully funded via Environment Agency Grant.