

Report of:	Andrew Humble –Head of Financial Planning & Support Andy Preston – The Mayor
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Submitted to:	Executive, 18 August 2020
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Subject:	Revenue and Capital Budget – Projected Outturn position as at Quarter One 2020/21
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Summary

Proposed decision(s)

- That the Executive notes the 2020/21 revenue budget Quarter One predicted outturn of £116.428m, representing a £31,000 (0.03%) overspend, and the estimated financial effect of Covid-19 in 2020/21 of £4.404m, and the proposed actions to address this.
- The Executive notes the proposed use of the General Fund Reserve, subject to Council approval, to fund the total projected overspend in 2020/21, and notes that a Medium Term Financial Plan (MTFP) update report will be presented to Executive on 29 September 2020.
- That Executive approves the proposed revenue budget virements over £150,000 (Appendix 1).
- That the Executive notes the 2020/21 capital budget Quarter One predicted outturn of £58.356m, against a budget of £63.303m, driven in the main by delays resulting from Covid-19, and approves the proposed revised Investment Strategy to 2022/23 at Appendix 2.

Report for:	Key decision:	Confidential:	Is the report urgent?
Decision	Yes – over the financial threshold (£150,000)	No	No

Contribution to delivery of the 2020-23 Strategic Plan		
People	Place	Business
Quarterly monitoring, review and action planning plays a central role in ensuring that the Strategic Plan is delivered effectively.		

Ward(s) affected
None.

What is the purpose of this report?

1. This report advises the Executive of the Council's financial position at Quarter One 2020/21, including the projected effect of Covid-19 on the Council's finances.

Why does this report require a member decision?

2. The Council's Scheme of Delegation gives the Executive collective responsibility for corporate strategic performance and financial management / monitoring, together with associated action. Standing Orders and Financial Procedures require the Executive's approval for major virements between revenue budgets, and in-year changes to the Council's capital Investment Strategy.
3. This report provides the necessary information to enable the Executive to discharge its financial management responsibilities, setting out:
 - projected revenue and capital budget outturns for Quarter One 2020/21;
 - position statements in relation to the Council's borrowing and its reserves; and
 - actions that the Council has taken and plans to take to address the issues raised.
4. Standing Orders and Financial Procedures require the Executive's approval of the proposed revenue budget virements over £150,000 (Appendix 1).
5. A revised Investment Strategy for the period to 2022/23 is attached at Appendix 2 for the Executive's consideration and approval.

Report Background

Revenue Budget Quarter One Outturn 2020/21

6. As widely reported, the Covid-19 pandemic is having a significant impact on the financial position of all local authorities. Covid-19 financial pressures are being monitored separately from the normal non-Covid-19 financial position, and these are reported separately in paragraphs 38 to 61 below.
7. The 2020/21 Revenue budget for the Council is £116,397,000. A revised senior management structure within the Council was implemented during Quarter One and the financial position is reported against this new structure. The Council's outturn position for 2020/21 for non-Covid-19 elements is projected to be an overspend of £31,000 (0.03%). The split by Directorate is shown in the table below.

Directorate	2020/21 Full Year Budget £'000s	2020/21 Projected Outturn (excluding Covid-19) £'000s	2020/21 Projected Over / (under) spend (excluding Covid-19) £'000s
Regeneration	3,854	3,568	(286)
Environment and Community Services	18,446	18,012	(434)
Public Health and Public Protection	(2,248)	(2,416)	(168)
Education & Partnerships	2,147	1,881	(266)
Children's Care	34,033	40,468	6,435
Adult Social Care and Health Integration	40,269	39,746	(523)
Legal and Governance Services	7,243	7,860	617
Finance	825	575	(250)
Central Budgets (see * below)	11,828	6,734	(5,094)
Revenue Outturn	116,397	116,428	31

* Includes underspend of £2.913m on budget for ongoing demand pressures, principally within Children's Social Care, as detailed in paragraph 37

8. This when added to the Covid-19 pressures detailed in paragraphs 38 to 60 results in a total projected outturn pressure at year end 2020/21 of £4.435m, of which £4.404m relates to Covid-19 pressures the effect of which will be included in the MTFP Update report which is to be presented to Executive on 29 September 2020.
9. The detail of the variances is set out below. At Q1, 26 areas had spent +/- £150,000 of the agreed budget.

Regeneration

10. Income from lettings at Teesside Advance Manufacturing Park (TAMP) earlier than expected is projected to result in unbudgeted additional income of £270,000 being received in 2020/21.
11. There is a projected pressure of £480,000 in 2020/21 on the net income budgeted to be received from the Centre Square Buildings 1 and 2. This is due to delays in letting the buildings, with prospective tenants for the building now likely to occupy the buildings towards the end of the financial year. This is currently shown under Regeneration but in the future it is intended that this will be shown within Central Budgets.
12. An underspend of £178,000 (4%) is projected on the Concessionary Fares budget. As this budget is contingency backed by the central Pay & Prices Contingency budget a virement is included in Appendix 1 for the transfer of the saving centrally.
13. In addition to the above, there are a number of budget areas within Regeneration which have projected variances below £150,000 and these account for the overall £286,000 total underspend on the Regeneration budget projected at year end 2020/21.

Environment and Community Services

14. The Property Services budget is projected to be underspent by a total of £208,000 (4%) at year end. Within the Property Services budget there are projected to be savings of £406,000 on building running costs due mainly to reduced occupation of buildings during Covid-19 and reductions in energy costs, in particular electricity where wholesale prices through the NEPO arrangement have reduced. However there is a projected overspend on the Integrated Transport Unit budget of £107,000 (4%) due to additional transport costs arising from increased demand from Children's Services.
15. The Transport and Infrastructure budget is projected to be underspent by £184,000 (7%), mainly due to staff savings from vacant posts, and efficiencies from the Streetlighting contract returning in-house.

Public Health and Public Protection

16. Whilst there are no budget variances over £150,000, there are staff and supplies and services savings in Public Protection totalling £111,000 and projected savings on Public Health budgets of £57,000.

Education & Partnerships

17. The Tackling Troubled Families budget is projected to be underspent by £150,000 (18%) at year-end, due to a projected over-achievement in completing and closing cases, thereby maximising grant income over and above the amount required to finance expenditure.

Children's Care

18. The residential placements budget is projected to be £1,955,000 overspent (18%) at year-end. Whilst places have overall remained static during the first 3 months there have been a number of new high cost placements. There is a plan to reduce the number of placements and these are included within the mitigation plans and Improvement plan, but these will take time to implement and achieve financial savings.
19. The Independent Fostering Agency (IFA) placements budget is projected to be £1,771,000 (34%) overspent at year-end, due to a significant projected increased number of placements / cases and the full year effect of 2019/20 increases. Until more capacity becomes available within the internal Fostering service, an overspend on this budget will occur to ensure that higher cost external residential placements are minimised. Without the increase in places in Fostering In-House provision, the Independent Fostering Agency budget pressure would have increased significantly more than it has.
20. The in-house fostering services budget is projected to be £573,000 (20%) overspent at year-end, due mainly to the full year effect of 2019/20 increases. An increase in this budget should be positive as the cost per child is cheaper than other demand budgets.

21. The Family and Friends Allowances budget is projected to have a significant overspend of £2,239,000 (203%) in 2020/21. There is projected to be a significant increase in the number of cases in 2020/21 along with the full year effect of 2019/20 increases. A working group has been set up to investigate processes and payments and there is a plan to increase benefit claim checks to attempt to mitigate this pressure.
22. The Assessment and Care Planning and Children in Need teams budget is projected to overspend by £557,000 (16%) at year-end. This is due to significant projected agency costs in 2020/21 to cover sickness and vacant posts. It is currently a challenge to recruit and retain social workers, and a strategy for this is included within the Improvement Plan and is supported by the Council's team. This pressure also includes assumed abatement targets not being met due to pressure of recruitment and caseloads of staff and teams.
23. The Children Looked After Teams budget is projected to overspend by £205,000 (10%) at year-end, due to agency costs to fill priority vacancies, overtime and enhancement payments within the service. The pressure also includes assumed abatement targets not met due to pressure to recruit and retain social worker positions.
24. The Children's Care management budget is projected to be overspent by £225,000 (36%) at year-end, due to significant agency costs relating to senior staff within the Service. There is a plan to reduce agency costs relating to this during 2020/21.
25. There is a projected underspend of £164,000 (108%) on the Staying Put and Supported Lodgings budget, due to lower demand, increased funding, and Pathways contribution funding from Supporting People.
26. The Edge of Care project budget is projected to underspend by £1,079,000 (39%) at year-end, due to a slower than anticipated implementation of new initiatives and the maximisation of grant funding.

Adult Social Care and Health Integration

27. There are projected staff savings across the Service totalling £282,000 due to turnover of staff, along with other savings leading to a total projected underspend of £523,000 at year end for Adult Social Care and Health Integration.
28. There is also currently a projected additional saving of £500,000 per annum in the budget requirement for long term residential care due to lower demand. This is after offsetting increased costs of Short Term care, Independent Supported Living, supporting people with Learning Disabilities and pressures on hospital social work. This saving will be included in the MTFP update to be presented to Executive on 29 September 2020. It is proposed that the projected saving in 2020/21 is transferred to an Earmarked Reserve for future use against any potential future demand increases during the Covid-19 recovery period, and the outturn position assumes the transfer to the Earmarked Reserve.

Legal and Governance Services

29. The Legal Services Childcare Costs budget is projected to overspend by £261,000 (49%) at year-end, due to an increase in court referrals relating to the safeguarding of children and increased agency staffing costs to address the increased caseload.
30. There is a projected overspend on the Strategic, Information and Governance budget totalling £240,000 (18%) comprising of unachievable income targets within the main Strategic, Information and Governance main budget of £100,000, and £140,000 on the Mail and print budget due to an unachievable historic income target. These unachievable income targets will be reviewed in future MTFP updates.

Finance

31. The Insurance and risk management budget is projected to be overspent by £200,000 (100%) at year-end, due to an unexpected increase in the total costs of claims and the settlement of aged claims.
32. There is projected to be an underspend of £356,000 (103%) on Revenues and Benefits budgets due to one-off income of £234,000 relating to Housing Benefit Administration, and staff savings due to vacant posts and staff at top of grade.
33. The Strategic Commissioning and Procurement main budget is projected to underspend by £188,000 (38%), mainly due to increased income from the NEPO contract rebate, in particular relating to the electricity contract.
34. There is projected to be an overspend on the Commercial Property Income budget of £223,000 (7%) at year end due to income shortfalls in rent for Sandringham House and vacant properties.

Central Budgets

35. The Capital financing budget is currently projected to be underspent by £600,000 (6%) at year-end, due to expected delays on projects and reduced interest rates. This budget will be closely monitored during 2020/21 and this will be reported in future reports.
36. The Section 31 Business Rates Relief Grant budget is projected to underspend by £1,094,000 (35%) at year-end due to the receipt of additional grant income. Also the central provision for Pay and Prices is projected to underspend by £275,000 based on the current expected calls on the budget during 2020/21.
37. The 2020/21 budget for ongoing demand pressures, principally within Children's Care, of £2.913m is shown as an underspend against central budgets, but this will be required to be fully utilised to mitigate the overall projected overspend. It is intended that in the next MTFP review this budget will be removed and used on a permanent basis to offset the ongoing demand pressures within Children's Care and Legal Services Childcare outlined above.

Covid-19

38. As widely reported, the Covid-19 pandemic is having a significant impact on the financial position of all local authorities. There are a number of issues emerging and it is still early in the process to provide an accurate assessment of the overall financial pressures, particularly as the full extent and timescale of the pandemic remains unclear. Key areas and early indicative estimates of the position for the current financial are presented below.

Government funding

39. The financial impact of Covid-19 on local authorities has been recognised by the government and they have responded by making a number of announcements about supporting local authorities financially, indicating that Local Authorities would be fully funded for their direct relevant costs incurred. Three tranches of Covid-19 support funding have so far been received. An initial allocation of £1.6bn was allocated on the basis of the adult social care formula (£5.200m for Middlesbrough). The second national allocation, again totalling £1.6bn, was allocated to local authorities based on population (£3.845m for Middlesbrough). A third tranche of a further £500m (£1.693m for Middlesbrough), based on a new formula taking account of population, deprivation and the way that service costs vary across the country, was allocated to support funding pressures on 2nd July 2020. This has meant that in total the Council has been allocated to date £10.738m of Covid-19 Government support funding.
40. The Government also announced on 2nd July 2020 further support comprising of :
- A scheme to part fund income shortfalls
 - The ability to recover Collection Fund shortfalls over three years as opposed to one year
41. A national allocation of Test, Track and Trace funding (£300m) was also announced in June 2020. This funding has been allocated to support local authorities in meeting their costs associated with Test, Track and Trace. The allocation for Middlesbrough is £1.566m. This grant funding is ringfenced for Test, Track, and Trace and potential local outbreaks.

Costs

42. It is currently estimated that there will be approx. £7.3m of additional costs associated with Covid-19 in 2020/21 and these cover a wide range of areas and services, with the key areas outlined in the following paragraphs below :
43. Adult Social Care - In line with Government guidance, the Council is supporting the Care market through a temporary increase in fees and through supplier relief. This is currently assumed to cost the Council approx. £1.2m in 2020/21.
44. Children's Social Care Costs – there are currently estimated to be approx. £1.2m of additional costs comprising mainly of delays in placements of children and also increased agency staffing to deal with an increased number of cases and case backlogs caused by Covid-19. There is also some emerging evidence that following the end of restrictions there may be further increases in numbers of children requiring support, but these are currently not known and will updated in future reports.

45. There are other estimated costs relating to Children's Services in particular around Legal Childcare case backlogs (estimated to be £0.25m) and also within transport of children from home to school (currently estimated to be £0.25m, but could significantly increase depending on social distancing measures required when children return to school).
46. Direct Covid-19 Costs - There are a number of direct costs associated with the current situation such as the procurement of PPE equipment (currently estimated to be approx. £1.2m), costs of the Community Hub, Shielding and food supplies etc.
47. SLM Leisure Trust - Leisure facilities were closed on government advice. SLM have made significant efforts to reduce costs, including furloughing the majority of their staff and ceasing all non-essential spend. The Council initially agreed to contribute to the remaining costs of furloughing the staff. Whilst the Government allowed Leisure Centres to open from 25 July 2020 and the Executive Member for Adult Social Care and Public Health approved on 24 July 2020 the opening on a phased basis in Middlesbrough, SLM will not be able to operate to their normal subsidy and the effects of a restricted operation due to social distancing will significantly impact on their income and will mean a total pressure to the Council of around £1.2m in 2020/21. Lobbying is being made to the Government for financial support for the leisure industry.

Reduction in income

48. The impact of the lockdown and closure of facilities and services has resulted in a loss of income across a broad range of areas, including:
 - Car Parking
 - Cultural activities (Town Hall, Middlesbrough Theatre, Museums, Newham Grange Country Park)
 - Commercial Rents – Business Units, industrial estates, shops and bus station
 - Catering Income from Schools
 - Building and Development Control
 - Highways : Capital Works
 - Bereavement Services – sales of memorials and extras
 - Adult Social Care - In house day centre care provision
 - Education Services Income
49. The overall pressure due to a reduction of income will be linked to the recovery of Council services, and in some areas economic activity, and it is currently estimated to total approx. £6.7m in 2020/21.

Unachievable savings

50. There are savings built into the Council's Change Programme totalling approx. £2.3m which are likely to be unachievable in 2020/21 due to Covid-19. These include £189,000 of Building Cleaning planned savings which are likely to be unachieved due to the inability to reduce cleaning hours and standards and additional cleaning required because of Covid-19. There are also delays in planned savings of transferring children looked after to internal provision of £425,000, and £175,000 relating to a review of direct payments within Adult Social Care which it will not be possible to progress in 2020/21 due to Covid-19. In addition there are £1,094,000 of

planned Digital project savings and a £180,000 saving to reduce staff mileage rates across the Council, which are likely to not be achieved in 2020/21 due to Covid-19. For both the Digital and staff mileage savings, whilst these are currently shown as unachievable, further work is being undertaken to determine whether the unachieved savings can be mitigated by any savings elsewhere within the Council, for example reduced mileage undertaken by staff as a result of Covid-19, and the net effect of Covid-19 on these savings will be provided at Quarter Two.

Council Tax and Business Rates Income

51. Income from Council Tax and Business Rates (NNDR) is accounted for within the Collection Fund. Because of the way that this works in relation to the General Fund, the financial impact of any reduction in income does not immediately affect this year's financial position, it is effectively a shortfall to be resolved next year and will need to be reflected in an updated Budget and MTFP at the appropriate time.
52. It is very early in the financial year but it is already clear that there are a number of issues which will result in pressures on Council Tax and Business Rates income.
53. We are seeing an increase in people claiming Local Council Tax Support (LCTS) as the economic impact of the pandemic increases the number of households eligible for LCTS support. This will lead to a reduction in the overall amount of council tax assessed/collected compared to the level budgeted. Whilst the Government provided additional Covid-19 Council Tax Hardship Grant Funding of £2.832m to top up the local LCTS scheme which meant approximately 6,000 customers not having to pay any Council Tax, there will still be an effect on the estimated amount of income collected.
54. Our budgeted council tax base includes assumptions on housing growth. If there is reduced growth in housing numbers, this will impact on income levels.
55. Despite support for businesses through increased reliefs and grants, there remain a significant number of businesses 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.
56. In addition the level of outstanding council tax and business rates debt is likely to rise and the Council will need to review the potential to collect that debt.
57. The current estimated overall financial impact of Covid-19 on Council Tax and Business Rates income to the Council is £3.916m in 2020/21, but it is unlikely to be fully understood for some months and this is being closely monitored. It is normal practice that any arising deficit would need to be fully funded in 2021/22, however as outlined in paragraph 40 the recent Government funding announcement has indicated this will be relaxed and can be recovered over three years.

Summary of Covid-19 Financial Pressures

58. The projected financial impact of the Covid-19 pandemic, based on experience in the first 3 months of the financial year, is summarised below along with a breakdown of the estimated funding split between the Government grant funding and the Council, based on assumptions made following the Government announcements detailed in paragraphs 39 to 40:

	<u>2019/20</u>	<u>2020/21</u>	<u>TOTAL</u>	<u>ESTIMATED</u>	<u>ESTIMATED</u>
				<u>TOTAL</u>	<u>TOTAL</u>
				<u>GOVT</u>	<u>COUNCIL</u>
				<u>FUNDING</u>	<u>FUNDING</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Extra-ordinary costs incurred	0.385	7.333	7.719	7.719	0.000
Estimated loss of income	0.492	6.673	7.164	5.105	2.060
Unachievable Change Programme savings	0.000	2.344	2.344	0.000	2.344
Potential Collection Fund shortfall (due to reductions in Business Rates and Council Tax income)	0.000	3.916	3.916	0.000	3.916
	0.877	20.266	21.143	12.823	8.320
Government Grant Funding currently assumed			12.823		
Net COVID-19 pressures 2020/21 after assumed Government Funding			8.320		
Estimated Collection Fund shortfall transfer to 21/22, 22/23 and 23/24 (due to ability to recover Collection Fund shortfalls over three years)			-3.916		
REVISED COVID-19 GAP 2020/21			4.404		

59. The overall financial position is being regularly reviewed to assess impact across all areas and it is likely that this will identify additional pressures and also some potential savings.
60. The above table indicates that the current pressures exceed the assumed Government grant funding, and that there will be a potential financial pressure due to Covid-19 of £4.404m in 2020/21.
61. If no further additional Government funding is provided to cover the pressures, it is recommended that this, along with the non Covid-19 projected overspend, is funded from the General Fund Reserve in 2020/21. Based on a worst case scenario of no further additional Government funding, this would mean that the projected level of General Fund Reserve at year end 2020/21 would reduce to £5.711m as detailed in paragraph 85. The level of balance of the General Fund Reserve would need to be replenished in the 2021/22 budget back to the minimum level recommended by the Director of Finance of £9.4m.
62. However it should be noted that the current Investment Strategy is being further reviewed in order to determine schemes which can potentially be removed. This would enable revenue funding within the Investment Fund Contingency Reserve which has been earmarked to fund the current Investment Strategy, and other revenue funding sources, to be released to support the projected overspend in 2020/21, and therefore negate the requirement to use the General Fund Reserve in 2020/21. This will be incorporated, along with other MTFP changes, in the next MTFP update.

Revenue budget spending controls

63. As previously reported to the Executive, a number of controls were implemented in 2019/20 to minimise overspending across the Council in-year and these remain in place for 2020/21, specifically:

- a vacancy control process overseen by the Corporate Management Team;
- checks against proposed expenditure of £5,000+ by the procurement team; and
- strong controls over staff travel, the ordering of stationery and use of first class post.

64. The Council is continuing to minimise the use of agency staff where it is appropriate to do so, but it is acknowledged that currently there will be a need for the use of agency staff within Children's Care, principally to support the Ofsted Improvement Plan. Monthly reports on agency costs are reported to senior managers for consideration.

65. As outlined in the Quarter Four report for 2019/20 a number of plans have been put in place for 2020/21 to mitigate overspending within Children's Services. These are outlined below :

- Subjecting cases of children looked after by the Council to ongoing audit, consistent decision making processes and a solutions panel chaired by the Director of Children's Care.
- Re-establishing a Middlesbrough Multi Agency Children's Hub from 1 July 2020 to secure the consistency of thresholds and increasing step-downs to early help and more timely support for children and young people.
- Increasing internal residential capacity at the Futures for Families Middlesbrough Hub (6 places) and Daniel Court (9 places) by the 30 September 2020 by 15 additional places, an increase of 136% on current provision. This will mean that more young people will be able to be accommodated by the Council at a lower cost than externally procured placements.
- All external residential placements are being reviewed by a specialist project team set up by the Director of Children's Services to ensure that no children are in residential care who can be fostered or safely returned to their families or the care of relatives. In addition this team will look at all cases that are nearing requirement for residential care with the aim of making sure that all alternative options for support are fully explored before residential provision is approved.
- Work continues to build on the 30% increase in the number of internal foster placements achieved in the financial year 2019/20, allowing children to be placed in high quality, local authority foster care as an alternative to more expensive agency placements.
- An in depth review is taking place of the processes around the placement of children with friends and family to ensure that these are only made where necessary and that financial support represents value for money.

66. While the mitigations above will be progressed the experience in 2019/20 suggests that whilst efficiencies can and have been made in placement methods these will not have a positive effect on the bottom line position unless the overall numbers of children in care are brought under control.

67. The position around our numbers of children in care has been specifically referenced by the DfE Commissioner, and it is clear that for both quality of practice and financial reasons the number needs to be safely reduced. This will entail improvement of edge of care provision to support families and prevent children needing to become looked after and crucially improving practice and care planning to allow those children who are able to return home, be placed with family or friends or be adopted in as timely a manner as possible. This work is interdependent on our overall improvement journey

and will not be a short term fix, however prioritisation in these areas is crucial to ensuring that our resources, both human and financial, are sufficient to deliver improvement. The next MTFP review will take an informed and prudent view of the length of time that will need to be allowed for this work to deliver results as well as the monitoring arrangements required.

Capital budget Quarter One Outturn 2020/21

68. As part of the Strategic Plan 2020-23 – Progress at Year End 2019/20 report, presented to Executive 16 June 2020, Executive approved a revised capital budget for 2020/21 of £63,303,000. Following a further review and the inclusion of new additional externally funded schemes (as detailed in paragraph 71) it is currently predicted at Quarter One that the Council will spend £58,356,000 at year-end. The underspend is mainly due to delays on major schemes resulting from the Covid-19 pandemic.
69. The Revised Investment Strategy to 2022/23 is included at Appendix 2 for approval. It should be noted that capital receipts assumptions have been re-evaluated in light of Covid-19 and the Revised Investment Strategy takes accounts of this. This has meant that generally capital receipts assumptions have been reduced by 15%, and also some capital receipts have now transferred to years beyond the current Investment Strategy period, i.e. beyond 2022/23,
70. No schemes are currently proposed to be removed from the Investment Strategy, however as noted in paragraph 62 a further review is taking place. Also no schemes over the £150,000 threshold were transferred between services.
71. It is proposed to add the following six additional externally-funded schemes above £150,000, along with several additional externally funded schemes below £150,000, to the revised Investment Strategy, set out at Appendix 2 for consideration and approval.

Directorate	Scheme	Funder	Value
Regeneration	Local Transport Plan – Integrated Transport	DfT	£1,057,000
	Tees Amp Footway / Cycleway	TVCA	£255,000
Environment & Community Services	Local Transport Plan – Highways Maintenance	DfT	£1,780,000
	Pothole Fund	DfT	£1,403,000
Education & Partnerships	School Conditions allocation grant	DfE	£200,000
	Basic Need Grant for 2021/22 and 2022/23	DfE	£9,079,000

72. The split by Directorate is shown in the table below, which also shows the “real” projected outturn variance if all of the additional externally funded schemes are excluded. Explanations for variances of +/- £150,000 across nine schemes are set out in the following paragraphs. These variances require movement within the Council’s four-year investment strategy, but do not affect the overall investment or cost of borrowing.

Directorate	2020/21	2020/21	2020/21	MEMO	
	Budget	Projected Outturn	Projected Outturn Variance	New Schemes	Real projected outturn variance excluding new schemes
	£'000	£'000	£'000	£'000	£'000
Regeneration	36,297	33,201	(3,096)	1,312	(4,408)
Environment and Community Services	6,009	9,349	3,340	3,198	142
Public Health and Public Protection	756	0	(756)	0	(756)
Education & Partnerships	5,770	4,391	(1,379)	494	(1,873)
Children's Care	357	357	0	0	0
Adult Social Care and Health Integration	4,387	4,204	(183)	117	(300)
Legal and Governance Services	2,628	2,778	150	70	80
Finance	7,099	4,076	(3,023)	0	(3,023)
Total	63,303	58,356	(4,947)	5,191	(10,138)

Regeneration

73. The one remaining property within the North Ormesby Housing Joint Venture scheme will be refurbished within this financial year. The remaining funds of £321,000 will be transferred to 2021/22, when a decision on expenditure will be made upon agreement with the Joint Venture partner.
74. The design of Boho X is currently under review and this is expected to delay the commencement of construction works resulting in £2,500,000 being transferred to 2022/23.
75. Housing Growth -.The Council has entered into a period of consultation with the residents of Nunthorpe in respect of potential developments. The consultation is due to conclude in September 2020 at which point it will be better understood what, if any infrastructure works will be undertaken by the Council. In view of this £1,517,000 of this budget has been transferred to 2021/22.

Environment & Community Services

76. Property Asset Investment funding of £242,000 has been brought forward from 2021/22 in order to carry out essential works to Council Buildings (primarily Town Hall & Neptune Centre).

Public Health & Public Protection

77. As a result of the Council wide review of accommodation and delays due to Covid-19 the Health & Wellbeing Hub scheme (expansion of the Live Well Centre) project will be delayed until 2021/22, meaning £756,000 has been transferred to 2021/22.

Education & Partnerships

78. The Priory Woods Classroom expansion scheme within Schemes in Special Schools is projected to increase by £180,000 in 2020/21, due to the scheme scope being expanded to include an additional classroom for the Head of Resources (Education & Partnerships) requirements.

79. The Council's Contribution to the New School at Middlehaven has been transferred to 2021/22 to match the current planned building work. Alternative sources of financing the Council's contribution are also currently being investigated.

Adult Social Care and Health Integration

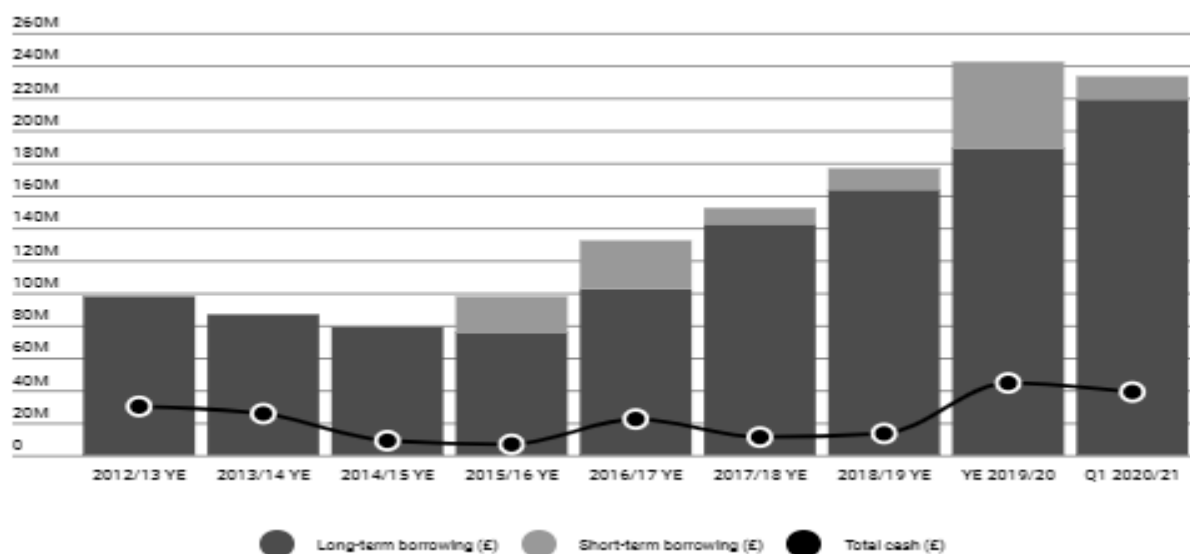
80. There are no further loans planned for 2020/21, and therefore the full Home Assistance Loan budget for 2020/21 of £184,000 has been transferred to 2021/22.

Finance, Governance and Support

81. Given delays and the current uncertainty around the potential new central office accommodation, and also the likely changes to home/office based working arrangements following Covid-19, the Town Centre Accommodation Strategy budget has been transferred to 2022/23.

Borrowing and reserves

82. The Council's balance of borrowing decreased by £9.8m from year-end 2019/20 to stand at £232.8m at Quarter One.



83. The main reason for the decrease is that as reported at Year-End 2019/20, short term borrowing of £20m had been taken out in the last weeks of March 2020 to ensure that the Council had enough liquidity for its Covid-19 response, particularly around grants to small businesses. This has now been covered by grant from the Government's Emergency Response Fund and as a result the £20m has been repaid. This has been offset by an additional £10m of new long term borrowing to keep cash flow healthy during Quarter One whilst the financial and cash implications of the pandemic have been assessed further and additional capital investment has been made. Both short and long-term borrowing continue to be at very low levels of interest and are a useful device for minimising the risk around the Council's financial arrangements.

84. Borrowing is well within the legal limit of £300m set by Council for 2020/21 as detailed within the Capital Strategy Report approved by Council on 26 February 2020. All other prudential indicators also remain within the limits originally set.
85. The table below sets out a summary of the balance of reserves and provisions at the start of 2020/21 and the projection as at year-end. The projected year-end balance assumes the Council's approval of the use of General Fund Reserve to cover the projected total 2020/21 revenue budget overspend.

Reserves and Provisions	Opening balance	Use in year	Additional contributions	Transfers to General Fund	Balance at year-end
General Fund	£9,400,000	0	£746,000	(£4,435,000)	£5,711,000
Earmarked reserves	£16,070,000	(£499,000)	£500,000	£0	£16,071,000
School Balances	£3,241,000	£0	£0	£0	£3,241,000
Provisions	£2,507,000	(£76,000)	£0	£0	£2,431,000
Total	£31,218,000	(£575,000)	£1,246,000	(£4,435,000)	£27,454,000

What decisions are being asked for?

86. That the Executive notes the 2020/21 revenue budget Quarter One predicted outturn of £116.428m, representing a £31,000 (0.03%) overspend, and the estimated financial effect of Covid-19 in 2020/21 of £4.404m, and the proposed actions to address this.
87. The Executive notes the proposed use of the General Fund Reserve, subject to Council approval, to fund the total projected overspend in 2020/21, and notes that a Medium Term Financial Plan (MTFP) update report will be presented to Executive on 29 September 2020.
88. That Executive approves the proposed revenue budget virements over £150,000 (Appendix 1).
89. That the Executive notes the 2020/21 capital budget Quarter One predicted outturn of £58.356m, against a budget of £63.303m, driven in the main by delays resulting from Covid-19, and approves the proposed revised Investment Strategy to 2022/23 at Appendix 2.

Why is this being recommended?

90. To enable the effective management of finances, in line with the Council's Local Code of Corporate Governance, the Scheme of Delegation and agreed corporate financial regulations.

Other potential decisions and why these have not been recommended

91. Not applicable.

Impact(s) of recommended decision(s)

Legal

92. The proposed recommendations are consistent with and will promote the achievement of the Council's legal duty to achieve Best Value.

Financial

93. The Council's outturn position for 2020/21 for non-Covid-19 elements is projected to be an overspend of £31,000 (0.03%). This, when added to the Covid-19 pressures detailed in paragraphs 38 to 60 results in a total projected outturn pressure at year end 2020/21 of £4.435m of which £4.404m relates to Covid-19 pressures the effect of which will be included in the MTFP Update report which is to be presented to Executive on 29 September 2020.

Policy framework

94. The Strategic Plan(s) and associated budgets form part of the Council's Policy Framework. All proposed variations set out in this report are in line with authority delegated to the Executive.

Equality and diversity

95. As reported to Council in January 2020, no negative differential impact on diverse groups and communities is anticipated from the direction of travel set out in the Strategic Plan 2020-23 or the Council's planned budgetary expenditure.

Risk

96. In line with the Council's Risk Management Policy, the corporate Strategic Risk Register will be reviewed in the quarter, and will be reported to Executive on 1 September 2020 as part of the Strategic Plan 2020-23 – Progress at Quarter One 2020/21 report.

Actions to be taken to implement the decision(s)

97. The proposed additional use of reserves outside of the budgetary framework require Council approval.
98. Mitigating activity set out in the main body of the report will continue to be applied by Directorates as stated.
99. As previously approved by the Executive, a fundamental review of the Medium-Term Financial Plan will be undertaken by the Section 151 Officer and presented to the Executive on 29 September 2020. This review is likely to trigger further mitigating activity if pressures continue and no further funding for Covid-19 response and recovery is provided by the Government.
100. The actions outlined within the body of the report in relation to overspending within Children's Safeguarding will continue to be implemented.

Appendices

- 1 Proposed revenue budget virements over £150,000
- 2 Proposed revised Investment Strategy to 2022/23

Background papers

15/01/20	Council	Priorities of the Elected Mayor and Strategic Plan 2020-2023
26/02/20	Council	Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2020/21
16/06/20	Executive	Strategic Plan 2020-23 – Progress at Year-end 2019/20

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Appendix 1 : Proposed virements over £150,000 at Quarter One 2020/21

<i>Proposed Virement Request</i>	Regeneration £000s	Environment and Community Services £000s	Public Health and Public Protection £000s	Education & Partnerships £000s	Children's Care £000s	Adult Social Care and Health Integration £000s	Legal & Governance Services £000s	Finance £000s	Central Budgets £000s
-									
<i>Permanent</i>									
Transfer Health & Safety staff following Senior Management review		(181)					181		
Transfer of excess 2020/21 budget relating to Concessionary Fares from Regeneration to Pay & Prices Central Budget	(178)								178
<i>Total Virement</i>	(178)	(181)	0	0	0	0	181	0	178
							Total:		0

Appendix 2: Proposed revised Investment Strategy to 2022/23

	Total Funding Required					Council Funding £'000	External Funding £'000
	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	TOTAL £'000		
Regeneration							
Town Centre Related Projects	878	335	1,971	1,029	4,213	3,215	998
Teesside Media & Innovation Village	7	-	-	-	7	7	-
Middlehaven Related Projects	1,180	234	50	500	1,964	1,915	49
Housing Growth	253	1,894	1,580	1,522	5,249	4,945	304
BOHO 8	113	2,387	-	-	2,500	-	2,500
BOHO X	440	2,500	10,100	13,960	27,000	2,900	24,100
Acquisition of Town Centre Properties	-	12,350	30,000	-	42,350	42,350	-
Centre Square Buildings 1 & 2	21,126	-	-	-	21,126	21,126	-
Middlesbrough Development Company	700	2,900	4,003	-	7,603	2,703	4,900
Teesside Advanced Manufacturing Park	15,607	1,513	-	-	17,120	12,523	4,597
BOHO Car Park & Building Improvements	64	-	-	-	64	64	-
Capitalisation Of Major Schemes Salaries	530	530	530	530	2,120	2,120	-
Affordable Housing Via Section 106	-	-	1,255	-	1,255	830	425
Highways Infrastructure Development Section 106	-	-	730	-	730	-	730
Stainton Way Dixon Bank Junction - Section 106	1,348	-	-	-	1,348	-	1,348
Section 106 Longlands to Ladgate Lane Link	5	-	-	-	5	-	5
Section 106 Acklam / Hall Drive Improvements	97	-	-	-	97	-	97
Section 106 Rose Cottage Pedestrian Links	31	-	-	-	31	-	31
The Big Screen	-	20	-	-	20	20	-
A66 Throughabout	1,658	2,537	-	-	4,195	-	4,195
Mandale Interchange	72	419	-	-	491	-	491
Tees Amp Footway / Cycleway	12	293	-	-	305	-	305
Replacement of Ticket Machines	-	189	-	-	189	189	-
LED Street Lighting Upgrade (Phase 2)	1,844	906	-	-	2,750	2,750	-
Joint Air Quality Unit (JAQU) - All schemes	849	622	-	-	1,471	-	1,471
Members Small Schemes	71	4	-	-	75	39	36
Grove Hill Joint Venture Projects	-	14	-	-	14	-	14
Gresham Projects	414	789	-	-	1,203	1,203	-
North Ormesby Housing Joint Venture - S106 funded	-	100	321	-	421	-	421
Empty Homes 2015 To 2018	84	416	-	-	500	-	500
Local Transport Plan	922	1,728	-	-	2,650	51	2,599
Hemlington Grange Way	318	-	-	-	318	318	-
Town Hall Venue Development	68	72	-	-	140	140	-
Cultural Transformation	-	115	115	-	230	230	-
Theatre Winches / Lifts	77	43	-	-	120	120	-
Municipal Buildings	22	-	-	-	22	22	-
Dorman Museum	48	42	-	-	90	90	-
Orange Pip Market Equipment	36	-	-	-	36	36	-
Contribution To Public Arts Projects	13	17	-	-	30	30	-
Public Art Work	22	58	-	-	80	80	-
Newham Grange Leisure Farm	890	99	-	-	989	989	-
Leisure Trust Investment - Equipment	-	75	-	-	75	75	-
Total Regeneration	49,799	33,201	50,655	17,541	151,196	101,080	50,116

	Total Funding Required				
	2019/20	2020/21	2021/22	2022/23	TOTAL
Environment & Community Services	£'000	£'000	£'000	£'000	£'000
Purchase of New Vehicles	1,889	728	1,200	1,200	5,017
Capitalisation of Wheeled Bin Replacement	100	100	100	100	400
Capitalisation of Street Furniture / Dog Fouling & Litter Bins	55	55	55	55	220
Capitalisation of Highways Maintenance	575	575	575	575	2,300
Property Services Building Investment	340	340	340	340	1,360
Parks Improvement	97	83	-	-	180
Bereavement Services	412	-	-	-	412
Middlesbrough Sports Village	-	-	-	-	-
Nunthorpe Playing Fields Section 106	6	57	-	-	63
LTP-Highways Maintenance	1,547	2,262	-	-	3,809
Street Lighting	358	578	468	468	1,872
Urban Traffic Management System (UTMC)	7	493	-	-	500
Flood Prevention	206	144	-	-	350
DFT Pothole Fund	-	1,403	-	-	1,403
Members Small Schemes	25	106	60	60	251
Property Asset Investment Strategy	2,341	1,031	936	846	5,154
Nunthorpe Sports Facilities	-	-	100	-	100
East Middlesbrough Community Hub	1,367	1,029	-	-	2,396
Christmas Lights	-	350	-	-	350
Section 106 Ormesby Beck	-	15	-	-	15
Section 106 Cypress Road	-	-	20	-	20
Section 106 Stewart Park	-	-	45	-	45
Total Environment & Community Services	9,325	9,349	3,899	3,644	26,217

Council Funding	External Funding
£'000	£'000
5,017	-
400	-
220	-
2,300	-
1,360	-
180	-
412	-
(404)	404
-	63
-	3,809
1,872	-
-	500
-	350
-	1,403
251	-
5,083	71
-	100
2,396	-
350	-
-	15
-	20
-	45
19,437	6,780

	Total Funding Required				
	2019/20	2020/21	2021/22	2022/23	TOTAL
Public Health & Public Protection	£'000	£'000	£'000	£'000	£'000
Health & Wellbeing Hub	30	-	756	-	786
Middlesbrough Alcohol Centre of Excellence	245	-	-	-	245
Total Public Health & Public Protection	275	-	756	-	1,031

Council Funding	External Funding
£'000	£'000
679	107
-	245
679	352

	Total Funding Required				
	2019/20	2020/21	2021/22	2022/23	TOTAL
Education & Partnerships	£'000	£'000	£'000	£'000	£'000
Block Budget (Grant) Devolved Formula Capital	-	-	107	-	107
Block Budget (Grant) School Condition Allocation	-	-	388	-	388
Block Budget (Grant) Basic Needs	-	-	9,079	-	9,079
Schemes in Maintained Primary Schools	2,538	2,308	534	-	5,380
Schemes in Primary Academies	11	9	-	-	20
Schemes in Secondary Academies	-	1,375	135	-	1,510
Schemes in Special Schools	78	588	7	-	673
Capitalisation of Salary Costs	102	104	106	-	312
Contribution to New School at Middlehaven	-	-	1,700	-	1,700
Block Budget (Grant) EFA Early Years 2 Year olds Entitlement (Trajectory)	-	7	-	-	7
Caldicotes 2 year old provision	56	-	-	-	56
Total Education & Partnerships	2,785	4,391	12,056	-	19,232

Council Funding	External Funding
£'000	£'000
-	107
-	388
-	9,079
1,960	3,420
-	20
-	1,510
451	222
0	312
1,700	-
-	7
-	56
4,111	15,121

	Total Funding Required				
	2019/20	2020/21	2021/22	2022/23	TOTAL
	£'000	£'000	£'000	£'000	£'000
Children's Care					
Edge Of Care Project (Hub)	209	343	-	-	552
Edge Of Care Project (Spencerfield 117-120)	144	6	-	-	150
Edge Of Care Project (3 Broadwell)	217	8	-	-	225
Gleneagles alterations	14	-	-	-	14
Holly Lodge alterations	7	-	-	-	7
Total Children's Care	591	357	-	-	948

Council Funding	External Funding
£'000	£'000
525	27
150	-
225	-
1	13
-	7
901	47

	Total Funding Required				
	2019/20	2020/21	2021/22	2022/23	TOTAL
	£'000	£'000	£'000	£'000	£'000
Adult Social Care & Health Integration					
Chronically Sick & Disabled Persons Act - All schemes	740	755	610	610	2,715
Disabled Facilities Grant - All schemes	2,194	3,142	2,115	-	7,451
Capitalisation of Staying Put Salaries	50	50	50	50	200
Home Assistance Loan	8	-	184	-	192
Home Loans Partnership (formerly 5 Lamps)	-	81	-	-	81
Small Schemes	25	48	-	-	73
Connect/Telecare IP Digital Switchover	146	128	110	-	384
Purchase of 5 vehicles - TCES	207	-	-	-	207
Total Adult Social Care & Health Integration	3,370	4,204	3,069	660	11,303

Council Funding	External Funding
£'000	£'000
2,608	107
939	6,512
200	-
184	8
-	81
-	73
330	54
-	207
4,261	7,042

	Total Funding Required				
	2019/20	2020/21	2021/22	2022/23	TOTAL
	£'000	£'000	£'000	£'000	£'000
Legal & Governance Services					
Desktop Strategy / Device Refresh	303	460	-	-	763
Enterprise Agreements	256	706	-	-	962
CRM	-	115	-	-	115
ICT BOHO	20	-	-	-	20
IT Refresh - Scanning	81	-	-	-	81
Early Help Module (Children's)	42	-	-	-	42
IT Refresh - Network Refresh	180	163	-	-	343
IT Refresh - Lights On	200	301	-	-	501
IT Refresh - LCS Development Capture	5	25	-	-	30
IT Refresh - Business Intelligence	-	3	-	-	3
ICT Essential Refresh & Licensing	65	437	2,243	2,185	4,930
ICT Innovation Budget	14	281	205	-	500
GIS Replacement	218	167	-	-	385
Melrose House Data Centre	116	-	-	-	116
Civic Centre Device Refresh	38	-	-	-	38
Prevention & Partnership Service Tablets	-	70	-	-	70
HR Pay	-	-	37	-	37
Dashboards	46	50	-	-	96
Total Legal & Governance Services	1,584	2,778	2,485	2,185	9,032

Council Funding	External Funding
£'000	£'000
763	-
962	-
115	-
20	-
81	-
42	-
343	-
501	-
30	-
3	-
4,930	-
500	-
385	-
116	-
38	-
70	-
37	-
96	-
9,032	-

	Total Funding Required				
	2019/20	2020/21	2021/22	2022/23	TOTAL
Finance	£'000	£'000	£'000	£'000	£'000
Former Partnership Investment (ICT Infrastructure Revenues & Benefits)	38	369	180	-	587
Derisking Sites	247	165	819	1,200	2,431
Town Centre Accommodation Strategy	143	42	-	4,396	4,581
Capitalisation of Property Finance Lease Arrangements	-	3,500	500	500	4,500
Middlesbrough Share in Veritau Tees Valley	20	-	-	-	20
Total Finance	448	4,076	1,499	6,096	12,119

Council Funding	External Funding
£'000	£'000
587	-
2,431	-
4,581	-
4,500	-
20	-
12,119	-

	Total Funding Required				
	2019/20	2020/21	2021/22	2022/23	TOTAL
All Directorates	£'000	£'000	£'000	£'000	£'000
Total All Directorates	68,177	58,356	74,419	30,126	231,078

Council Funding	External Funding
£'000	£'000
151,620	79,458

	Total Funding				
	2019/20	2020/21	2021/22	2022/23	TOTAL
Funded by:-	£'000	£'000	£'000	£'000	£'000
Borrowing	28,312	5,824	17,823	4,771	56,730
Finance Leases	20,835	3,500	30,500	500	55,335
Capital Receipts	1,165	11,216	7,982	13,339	33,702
Grants	14,696	30,166	13,387	11,516	69,765
Contributions	3,162	3,589	2,942	-	9,693
Revenue Resources	7	894	24	-	925
Funding from Reserves	-	3,167	1,761	-	4,928
Total Funding	68,177	58,356	74,419	30,126	231,078

Council Funding	External Funding
£'000	£'000
56,730	-
55,335	-
33,702	-
-	69,765
-	9,693
925	-
4,928	-
151,620	79,458