

Report of:	Councillor Barrie Cooper - Executive Member for Environment and Finance & Governance Ian Wright - Director of Finance
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Submitted to:	Executive - 15 June 2021
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Subject:	Revenue and Capital Budget - Year-End Outturn Position 2020/21
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Summary

Proposed decision(s)

- That the Executive approves the transfer to Reserves as detailed in the report and summarised in paragraph 123 of the report.
- That the Executive notes the 2020/21 revenue budget final year-end outturn of a £355,000 (-0.3%) underspend on non-Covid-19 elements (subject to above approval of transfers to reserves), and the financial effect of Covid-19 in 2020/21 of £416,000.
- That the Executive approves the transfer of the £355,000 underspend on non-Covid-19 elements to the General Fund Reserve.
- That the Executive notes the use of the General Fund Reserve, as approved by Council on 2 September 2020, to fund the £416,000 Covid-19 overspend in 2020/21.
- That the Executive approve the transfer of the remaining £4.512m funding set aside in the General Fund Reserve to a separate Reserve, to cover potential costs arising from the Covid-19 recovery in 2021/22 and future years.
- That the Executive notes the 2020/21 capital budget final outturn of £42.078m against a revised budget of £45.195m, and approves the revised Investment Strategy to 2023/24 at Appendix 1.

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 Year-End 2020/21, including the 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 variations 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:
 - final revenue and capital budget outturns at year-end 2020/21;
 - position statements in relation to the Council's borrowing and its reserves; and
 - actions that the Council has taken and plans to address the issues raised.
4. A revised Investment Strategy for the period to 2023/24 is attached at Appendix 1 for the Executive's consideration and approval.

Report Background

Revenue Budget Outturn 2020/21

5. As reported in previous reports, the Covid-19 pandemic is having a significant impact on the Council's financial position. This has also made the management of the Council finances more difficult in 2020/21 due to the constantly evolving situation, including the receipt of Government grant funding at short notice throughout 2020/21. Covid-19 financial pressures are being monitored separately from the normal non-Covid-19 financial position, and these are reported separately in paragraphs 54 to 85 below.
6. 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 year-end revenue outturn position for 2020/21 for non-Covid-19 elements is an underspend of £2,391,000.
7. It is proposed to transfer £438,000 of the Public Health Grant underspend to a Public Health reserves and £1,598,000 of the Adult Social Care underspend to an Adult Social Care Covid Recovery Reserve, in order to help to fund future costs arising from Covid-19 recovery in these areas. Executive are requested to approve these transfers to reserves and the final revenue outturn position of £355,000 underspend assumes these transfers are approved.
8. The split by Directorate of the final year end revenue outturn position for 2020/21 is shown in the table below :

Directorate	2020/21 Full Year Budget	2020/21 Final Outturn (excluding Covid-19)	2020/21 Over / (under) spend (excluding Covid-19)	2020/21 Proposed transfer to Reserves	2020/21 Over / (under) spend (excluding Covid-19 and after proposed transfer to Reserves)
	£'000s	£'000s	£'000s	£'000s	£'000s
Regeneration	3,571	2,416	(1,155)	0	(1,155)
Environment and Community Services	19,144	18,329	(815)	0	(815)
Public Health and Public Protection	(2,784)	(3,505)	(721)	438	(283)
Education & Partnerships	2,082	1,784	(298)	0	(298)
Children's Care	38,247	42,480	4,233	0	4,233
Adult Social Care and Health Integration	37,776	35,827	(1,949)	1,598	(351)
Legal and Governance Services	8,354	8,631	277	0	277
Finance	1,298	1,107	(191)	0	(191)
Central Budgets	8,709	6,937	(1,772)	0	(1,772)
Revenue Outturn	116,397	114,006	(2,391)	2,036	(355)

9. This when added to the Covid-19 pressures of £416,000 detailed in paragraphs 54 to 85 results in a total revenue outturn pressure at year-end 2020/21 of £61,000. This is a reduction of £2.735m from the £2.796m total projected revenue outturn pressure reported at Quarter Three.
10. The detail of the variances is set out below. At year-end, 36 areas had spent +/- £150,000 of the agreed budget.

Regeneration

11. Continued successful lettings at Tees Advanced Manufacturing Park (TAMP) during Quarter Four resulted in unbudgeted net additional revenue income of £458,000 being received in 2020/21. This position has improved by £100,000 from that projected at Quarter Three.
12. An underspend of £500,000 has been achieved from staff savings due to posts being held vacant within the Cultural Services budgets pending a review of the wider Cultural Services.
13. In addition to the above, there are a number of budget areas within Regeneration, which have variances below £150,000, and these account for the overall £1,155,000 total underspend on the Regeneration budget at year-end 2020/21.

Environment and Community Services

14. The Property Services budget was underspent by a total of £94,000 at year-end. Within this budget, there are savings of £168,000 on building running costs due mainly to reduced occupation of buildings during Covid-19 in addition to a reduction in energy costs, in particular electricity where wholesale prices through NEPO arrangement have reduced. Savings of £197,000 occurred due to vacant posts within Building Cleaning. In addition, there was a saving of £65,000 within the Integrated Transport Unit (ITU), which is an improvement on the projected £100,000 overspend position reported at Quarter Three due to the further lockdown and school closures

that occurred during Quarter Four, which resulted in reduced demand and therefore reduced costs for the service. As reported at Quarter Three there has been a shortfall in income due to a decrease in the number of cremations following the opening of a crematorium in Stockton, which has resulted in a pressure totalling £185,000 at year-end. This pressure is lower than the £275,000 projected at Quarter Three as a result of the number of cremations and burials being higher than expected in Quarter Four. In addition, there has been an income shortfall due to the closure of the Transporter Bridge, which has produced a pressure of £150,000 at year-end, a slight reduction from that reported at Quarter Three.

15. The Transport and Infrastructure budget was underspent by £290,000 at year-end, a slight increase in underspend from that reported at Quarter Three, mainly due to efficiencies from the Streetlighting contract returning in-house, and staff savings from vacant posts.
16. The Environment Services budget produced a total saving of £313,000 at year-end. This is primarily due to an underspend on salary costs caused by vacant posts and reductions in other expenditure within Catering totalling £181,000 due to the closure of schools in Quarter Four. In addition, there were savings across the Places and Spaces budget of £104,000 and Waste Disposal budget of £28,000. The increase in the amount of savings from that reported at Quarter Three has been due to reduced expenditure in non-frontline services following the lockdown and Covid-19 restrictions imposed from the end of December to the end of March. This has not resulted in any effect on frontline service delivery levels to residents during the year.

Public Health and Public Protection

17. Savings on Public Health budgets totalling £438,000 have been achieved in 2020/21 due to a £202,000 saving caused by reduced activity for some demand led services, such as Stop Smoking, NHS Healthcheck programme, rehabilitation, and prescribing costs as a result of Covid-19, with the remainder of the savings achieved being due to staff and supplies and services savings. There were also staff and supplies and services savings in Public Protection totalling £283,000, partly as a result of charging staffing costs for work undertaken in relation to Covid-19 to Covid-19 grants.
18. It is proposed that the underspend of £438,000 on Public Health budgets is transferred to a Public Health Reserve for use in future years to allow for the potential future effects on services following the end of Covid-19 restrictions.

Education & Partnerships

19. As reported in previous quarters, the Tackling Troubled Families budget underspent by £155,000 at year-end, due to an over-achievement in completing and closing cases, thereby maximising grant income over and above the amount required to finance expenditure.
20. There is an underspend of £128,000 on the Education services budget, mainly due to staff savings.
21. There is a saving of £732,000 at year-end relating to school contributions to capital schemes, as contributions were funded from other sources, thereby creating a revenue saving. It is proposed that this is transferred to a Children's Services

Demand Reserve for use in future years to mitigate demand within Children's Services.

22. Following recommendations from external audit in previous year's audits, a detailed exercise has been undertaken to close and clear the balances of a number of holding and other codes, which are no longer used, within Education. This has created a net saving of £175,000. It is proposed that this is transferred to a Children's Services Improvement Reserve to help to fund improvements within Children's Services linked to the Ofsted Improvement Plan.

Children's Care

23. The residential agency placements budget was £1,130,000 (10%) overspent at year-end, an increase of £175,000 from that projected at Quarter Three. This was due to slightly slower than expected implementation of new initiatives during Quarter Four. The number of external residential placements has reduced to 65 at the end of 2020/21 from the 74 at the end of 2019/20, due to initiatives such as the Innovate Team, the Futures for Families Programme, and the provision of nine places at Daniel Court. Phase 2 of the Innovate programme started in Quarter Four, but this will take time to fully implement and achieve further financial savings.
24. The in-house fostering services budget was overspent by £429,000 (13%) at year-end, slightly lower than the Quarter Three projection. There has been an increased number of placements/cases by 6 in 2020/21 (from 158 to 164), in addition to the full year effect of 2019/20 increases. An increase in this budget should be positive as a whole as the cost per child is less expensive than other demand budgets, and the Service are working to increase capacity over the next few years.
25. The Independent Fostering Agency (IFA) placements budget was £913,000 (16%) overspent at year-end, which is a decrease from the £1,141,000 reported at Quarter Three. As reported in previous quarters this overspend is due to an increased number of placements / cases in 2020/21 (increase of 3 to 163 at year-end) and the full year effect of 2019/20 increases. Whilst capacity has been maximised within the internal in-house fostering service, an overspend will still exist on this budget 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.
26. The Family and Friends Allowances budget was £1,074,000 overspent (51%) at year-end, slightly lower than the Quarter Three projection due to the numbers hitting a plateau during this period. The increase in 2020/21 has been from 312 to 373 young people (19.6% increase). This is due to a large increase in the number of cases in 2020/21 along with the full year effect of 2019/20 increases. The demand on this budget is forecast to increase in the next few years as the Council continue to improve outcomes for Middlesbrough young people. A working group is continuing to investigate processes and payments and there is a plan to increase benefit claim checks in order to attempt to mitigate this pressure.
27. There was an overspend of £1,046,000 (19%) on the Safeguarding and Care Planning, and Referral and Assessment teams budgets, an increase from the £585,000 reported at Quarter Three. Despite charging some costs to Covid-19, the overspend is mainly due to significant staff agency costs in 2020/21 to cover

sickness and vacant posts. It currently remains a challenge to recruit and retain social workers, and a strategy for this is included within the Ofsted Improvement Plan, and supported by the Council's management team. The recruitment of permanent Social work staff is a major challenge to the Council, with the continued reliance on the use of significant levels of agency staff being a significant risk to the long-term finances of the Council.

28. The Review and Development budget overspent by £275,000 (46%) at year end (similar to that reported at Quarter Three), due to increased staffing costs to support the reduction in caseloads of social workers to more manageable levels, and the recruitment of agency staff to fill vacant posts due to challenges in recruiting to social worker positions across Children's Services.
29. Internal Residential services budget underspent by £798,000 (28%) at year-end, broadly similar to the Quarter Three projection, due to a slower than anticipated implementation of new initiatives and the maximisation of grant funding. Daniel Court and Future for Families are both now open and Rosecroft is expected to re-open in Summer 2021 following refurbishment, and increasing occupancy and caseload levels at these establishments will generate future savings and cost avoidance.
30. The Children Looked After teams budget overspent by £153,000 (7%) at year-end. Similar to Assessment and Care Planning and Children in Need teams, this is mainly due to agency staffing costs to fill vacancies and cover absences, and to support the Ofsted Improvement Plan. This is lower than the Quarter Three projection as only priority vacancies and absences have been covered during Quarter Four. As stated in paragraph 27 the reliance on agency staff, is a significant risk to the Council in the medium to longer term.
31. The Short Breaks Respite and Direct Payments budget underspent by £290,000 (28%) at year-end, an increased saving from the Quarter Three projection, due to unexpected continued reduced spending on Short Breaks and Direct Payments.
32. The Directorate's management budget overspent by £286,000 (51%) at year-end, due to significant agency costs relating to senior staff within the Service. This will reduce in 2021/22 as senior staff move from agency contracts to permanent contracts.
33. The Executive Director of Children's Services budget overspent by £152,000 (15%) at year-end, similar to the Quarter Three projection. This is mainly due to budget pressures within the Administration and Strategic teams. A large proportion of this overspend will be removed in 2021/22 due to the Executive Director of Children's Services now being permanently employed by the Council.

Adult Social Care and Health Integration

34. There are staff savings across the Service totalling £681,000 at year-end, which is a substantial increase from that reported at Quarter Three, due to staff turnover and delayed recruitment to vacancies. In addition, there are supplies and services savings of £282,000 across the Service. The supply of equipment into people's homes has been affected by the Covid-19 pandemic resulting in an underspend of £110,000.

35. As a result of the Covid-19 pandemic, there is an overall reduction in the cost of care packages (mainly residential care) of £339,000 at year-end. In addition, service user's contributions to community care packages continue to be received in excess of budgeted income, resulting in a underspend of £435,000 at year-end. Both of these underspends have increased from that reported at Quarter Three due to the lockdown during Quarter Four.
36. At Quarter Three, £629,000 was set aside (from the reduction in care package costs) in respect of a pending High Court ruling in relation to potential backdated payments for sleep-in shifts. The High Court ruling was in favour of the Council and therefore this provision is no longer required creating a saving in 2020/21 due to this. There will also be no on-going recurring pressures in future years in relation to this.
37. As reported at Quarter Three a recurring saving of £500,000 per annum due to the reduction demand for long-term residential care has been achieved. 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 has been included in the MTFP approved by Council on 24th February 2021. As reported in previous quarters the saving in 2020/21 due to this is to be transferred at year end to an Earmarked Reserve for future use against any potential future demand increases during the Covid-19 recovery period, and the outturn position currently assumes the transfer of the £500,000 to the Earmarked Reserve.
38. The total saving for Adult Social Care and Health Integration at year-end is £1,949,000, which is a substantial increase from that reported at Quarter Three due to the reasons reported above. As it is predicted that there will be increased demand for services provided by Adult Social Care in future years following the end of Covid-19 restrictions, it is proposed that £1,598,000 of the savings are transferred to an Adult Social Care Covid Recovery Reserve for the potential effects of increased service demand in future years.

Legal and Governance Services

39. The Legal Services budget overspent by £204,000 at year-end, mainly due to an increase in court referrals relating to the safeguarding of children and increased agency staffing costs to address the increased caseload. This is a slightly improved position from that reported at Quarter Three. This budget is being closely monitored and efforts are being made to reduce the use of agency staff and the overspend, and updates will be provided in future budget monitoring reports.
40. There is a projected overspend on the Strategic, Information and Governance budget totalling £274,000. This comprises of an overspend of £97,000 on the main Strategic, Information and Governance budget and an overspend of £177,000 on the Mail and Print budget, with both overspends mainly being due to unachievable income targets. A proportion of the unachievable income targets were removed as part of the Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22 report to Council on 24 February 2021, with the remaining elements being further reviewed and if required will be included in further updates of the Council's MTFP.
41. As reported at Quarter Three there has been an overspend against the budget for Middlesbrough's contribution to the Coroner's Service, with the final year-end position being a £135,000 overspend against a £170,000 overspend reported at

Quarter Three. The overspend is due to a rise in the number of cases, and also an increase in medical fees and toxicology reports.

42. In addition to the above, there are a number of budget areas within Legal and Governance Services which have variances below £150,000, and these account for the overall £277,000 total overspend on the Legal and Governance Services budget at year-end 2020/21.

Finance

43. An overspend of £172,000 occurred on the Support Services Income budget at year end, lower than the £200,000 reported at Quarter Three, due to lower levels of income being able to be recharged to external bodies such as the Pension Fund.
44. The underspend on Strategic Commissioning and Procurement budgets has increased to £386,000 at year end, mainly due to increased income from the NEPO contract rebate, in particular relating to the electricity contract and also staff savings generated from an internal review of the service.
45. At Quarter Three it was reported that there was potential additional unanticipated unbudgeted income of £200,000 estimated to be received by year-end due to rental income from the recent purchase of the Captain Cook Shopping Centre. At year-end, this unbudgeted income has reduced to £64,000 due to the requirement to make increased bad debt provisions for income not yet received. The bad debt provisions have been made on a prudent basis due to the current circumstances and uncertainties surrounding the retail sector.
46. The Revenues and Benefits budget overspent by £370,000 at year end, rather than the £66,000 projected overspend reported at Quarter Three, due mainly to a further increase in the bad debt provisions for income from court costs and housing benefits overpayments being required to be made at year-end.
47. It was reported at Quarter Three that the Insurance and Risk Management budget was projected to overspend by £100,000, however due to a decrease in the amount and value of claims this overspend has now been eliminated.
48. Underspends totalling £283,000 within other budgets within the Finance Directorate make up the overall final year-end outturn underspend for the Finance Directorate.

Central Budgets

49. The Capital financing budget underspent by £198,000 at year-end, due to expected delays on projects and reduced interest rates. This budget will be closely monitored during 2021/22 and future years and updates will be provided in future reports.
50. In previous quarters, it was reported that there were non-rent pressures in 2020/21 relating to business rates and service charges for Centre Square Buildings 1 and 2, which the Council had to incur in 2020/21 due to tenants not being in place. The final year-end position relating to these costs was £74,000. This meant that the total pressure on Centre Square Buildings 1 and 2 (rent and non-rent elements) budgets due to delays in letting the buildings in 2020/21 was £391,000. Tenants for the

buildings have now signed contracts and are starting to occupy the buildings following fit out of the buildings, and this will create a surplus in future years.

51. As reported in previous quarters the Section 31 Business Rates Relief Grant budget underspent by £1,094,000 at year-end due to the receipt of additional unbudgeted grant income.
52. The central provision for Pay and Prices underspent by £504,000 at year-end. This was mainly due to a lower than estimated cost of the staff pay award in 2020/21.

Progress against budget savings

53. A total of £6.4m of budget savings for 2020/21 were approved by Council on 26 February 2020 as part of the 2020/21 budget setting. It has not been possible to achieve a number of budget savings due to Covid-19 and these are detailed in paragraph 74 below. There are a further £674,000 of budget savings (shown in the table below) which it will not be possible to achieve in 2020/21. These have been accounted for in the year-end outturns for the directorates above and form part of the overall total year-end outturn for 2020/21. The unachieved savings were removed from the MTFP as part of the Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22 report to Council on 24 February 2021.

Directorate	Ref	Proposal:	2020/21 £'000s
Environment and Community Services	ECS 19	Reduction in operational costs of fleet vehicles in line with planned efficiencies in services across the authority	86
Environment and Community Services	REG 06	Review of Transporter Bridge operational arrangements	40
Finance	CCC 09	Increase advertising income from Love Middlesbrough to ensure self-sufficiency	9
Public Health and Public Protection	PHPP 08	Reduced partnership contributions, decommissioning of small contracts, maintaining existing vacancies and identification of alternative funding sources (part of total saving unachieved)	100
Legal and Governance Services	DIG various	Various Digital savings	256
Regeneration	Invest to Save	Housing Delivery Vehicle	90
Public Health and Public Protection	Invest to Save	The Live Well Centre expansion	93
TOTAL			674

Covid-19

54. As reported in the previous quarterly budget monitoring reports and the MTFP Update reports to Executive and Council during 2020/21, the Covid-19 pandemic has had a significant impact on the financial position of all local authorities, including Middlesbrough, and the reports provided key areas affected and estimates of the position for the current financial year. The paragraphs below provide an update of the final position for 2020/21 at the year-end detailing the costs of Covid-19 and the grant funding provided by the Government. Paragraph 84 summarises the overall financial position in 2020/21, along with a breakdown of the funding split between the Government grant funding and the Council.

Government funding

55. As reported previously 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. Four tranches of Covid-19 general support funding totalling £15.574m were received in 2020/21. £877,000 had already been utilised in 2019/20, leaving £14.697m available for use in 2020/21. The Government has also announced a further allocation of general Covid-19 support funding of £5.310m for 2021/22 and updates of expenditure against this will be reported during 2021/22.

56. As reported previously 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 (Council Tax and Business Rates income) shortfalls over three years as opposed to one year
57. The Sales, Fees and Charges (SFC) scheme which part funds income shortfalls involves a 5% deductible rate, whereby local authorities will absorb losses up to 5% of their planned budgeted 2020/21 sales, fees and charges income, with the Government compensating them for 75p in every pound of relevant loss thereafter. Two claims totalling approximately £3.3m have been made under the scheme covering the periods April to July 2020 and August 2020 to November 2020. The final claim for 2020/21 of approximately £1.1m was submitted on 28 May 2021, and therefore, subject to a final reconciliation process, Middlesbrough Council should therefore receive a total of approximately £4.4m funding in 2020/21 under the SFC scheme. The Government has announced that the SFC scheme will continue operating for the first quarter of 2021/22, and updates of this will be reported in the Quarter One report for 2021/22. It should be noted that the SFC scheme does not cover commercial income lost from investment activities and rental income.
58. 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 was £1.566m. This grant funding is ringfenced for Test, Track, and Trace and potential local outbreaks. Middlesbrough Council spent £879,000 of this funding in 2020/21 with the remaining £687,000 of funding being transferred to 2021/22 for use in 2021/22.
59. During 2020/21 the Government also announced a Clinically Extremely Vulnerable (CEV) grant to provide support to Clinically Extremely Vulnerable people who need it, and Middlesbrough Council received a total of £538,000 grant funding in 2020/21. Middlesbrough Council spent £340,000 of this funding in 2020/21 with the remaining £198,000 of funding being transferred to 2021/22 for use in 2021/22.
60. The Government also announced on 22 October 2020 a Contain Outbreak Management Fund to provide funding to local authorities to support public health activities, such as local enforcement and contact tracing. This was originally based on an amount per head of population depending on which tier a local authority was in and was then extended for the subsequent national lockdown. The total amount allocated to Middlesbrough in 2020/21 was £3.968m, and this was fully utilised in 2020/21. The Government has also announced that there will be a further allocation for 2021/22 of £1.370m.

61. Various specific grant funding totalling approximately £5.3m was also provided to Adult Social Care, comprising of Infection Control, Workforce Capacity Fund and Rapid Testing grant funding. The majority of this grant funding was passported to external service providers in line with the grant conditions.
62. In the recent Spending Review and Local Government Finance Settlement the Government announced that, as well as allowing local authorities to spread the Collection Fund deficit (council tax and business rates income losses) arising in 2020/21 over the next 3 years (2021/22, 2022/23 and 2023/24), their commitment to compensate councils for 75 per cent of irrecoverable Council Tax and Business Rates losses for 2020/21. Details of the Government funding estimated to be received in 2021/22 in relation to this was detailed in the Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22 report to Council on 24 February 2021.

Additional Expenditure

63. There has been £10.7m of additional expenditure associated with Covid-19 in 2020/21 and these cover a wide range of areas and services. This is a decrease from the £13.1m estimated at Quarter Three, due to the maximisation of the use of other government funding, in particular the Contain Outbreak Management Fund. The table below shows the additional expenditure per Directorate and the following paragraphs below detail the key areas of costs :

Directorate	2020/21 Covid-19 expenditure £'000s
Regeneration	1,415
Environment and Community Services	1,957
Public Health and Public Protection	120
Education & Partnerships	417
Children's Care	2,196
Adult Social Care and Health Integration	1,563
Legal and Governance Services	1,347
Finance	1,682
Total 2020/21 Covid-19 expenditure	10,697

64. Adult Social Care – there has been additional expenditure of approximately £1.3m due to the Council supporting the Care market through a temporary increase in fees in line with Government guidance, along with other additional expenditure of approximately £0.3m relating to Adult Social Care.
65. Children's Social Care Costs – there was approx. £2.2m of total additional expenditure comprising of delays in placements of children (approximately £1.8m), increased staffing and agency staffing costs (approximately £0.2m), and approximately £0.2m of other additional expenditure to deal with an increased number of cases and case backlogs caused by Covid-19. It should be noted that approx. £2.7m of additional expenditure has also been charged to COMF in order to maximise the use of other government funding, as mentioned in paragraph 63, and

this accounts for the reduction in this area from Quarter Three. 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 be updated in future reports.

66. There has been other expenditure relating to Children's Services, in particular around Legal Childcare case backlogs (£0.3m), and also within transport of children from home to school (£0.3m).
67. Environment and Community Services – additional expenditure of approx. £0.5m relating to staff costs within Highways Maintenance for work undertaken relating to Covid-19 occurred during 2020/21. In addition, there was increased expenditure of £0.5m relating to the increased costs of waste collection and disposal due to increased tonnages of waste.
68. Direct Covid-19 Costs - a number of direct costs were incurred, such as the procurement of PPE equipment (£1m), costs of the storage of PPE (£0.3m), Community Hub, Shielding and food supplies etc.
69. Other Covid-19 costs – There was increased additional expenditure of £0.15m relating to the costs of temporary mortuary provision at Teesside Advanced Manufacturing Park (TAMP), and increased costs for the removal of bodies. Additional staff costs of £0.3m were incurred within the Revenue and Benefits mainly for additional work undertaken in relation to the distribution of grants to businesses. There was also additional expenditure for additional ICT equipment of £0.6m.
70. SLM Leisure Trust – As detailed in previous quarterly reports there have been significant payments totalling made to SLM, the Council's provider of leisure facilities. When leisure facilities were closed due to national lockdowns and restrictions SLM furloughed the majority of their staff and the Council agreed to contribute to the remaining costs of furloughing the staff that the Government did not fund. In addition, when leisure facilities did briefly re-open during 2020/21 SLM could not operate to their normal subsidy, with the effects of a restricted operation due to social distancing significantly impacting on their income. The payments made to SLM totalled £1,044,000 in 2020/21. The Department of Culture, Media and Sport (DCMS) have provided grant funding to the Council of £304,000 in the form of the "National Leisure Recovery Fund", of which approximately £165,000 can be utilised in 2020/21 to offset the pressure, meaning that there has been a net pressure of £879,000 in 2020/21 due to the effects of Covid-19.

Reduction in income

71. The impact of the lockdown and closure of facilities and services has resulted in a loss of income, totalling £7m in 2020/21, across a broad range of areas. The table below shows the loss per Directorate :

Directorate	2020/21 Covid-19 reduction in income £'000s
Regeneration	2,929
Environment and Community Services	1,278
Public Health and Public Protection	140
Education & Partnerships	575
Children's Care	0
Adult Social Care and Health Integration	729
Legal and Governance Services	101
Finance	1,272
Total 2020/21 Covid-19 reduction in income	7,024

72. The list below highlights the main areas and the loss for each main area in 2020/21:

- Car Parking (£1.9m)
- Cultural activities (Town Hall, Middlesbrough Theatre, Museums, Newham Grange Country Park, Parks) (£0.9m)
- Catering income from schools (£0.5m)
- Adult Social Care - In house day centre care provision (£0.7m)
- Libraries and Community Hubs – room hire, book sales, and fines (£0.1m)
- Highways - Capital Works and Street Permit income (£0.2m)
- Education Services income from schools (£0.2m)
- Council run Nurseries and Children's Centres (£0.4m)
- Council Tax Court Costs and Housing Benefits Overpayments (£0.8m)
- Commercial Rents - business units, industrial estates, shops, bus station (£0.2m)
- Capital Finance - Rent and Interest (£0.2m)

73. As mentioned in paragraph 57 the Council will receive approximately £4.4m from the SFC scheme in 2020/21.

Unachievable savings

74. There are savings built into the Council's Change Programme totalling approximately £1.8m which have been unachievable in 2020/21 due to Covid-19. These include delays in planned savings of £175,000 relating to a review of direct payments within Adult Social Care, which it was not possible to progress in 2020/21 due to Covid-19. In addition, there were £1,094,000 of planned Digital project savings and a £180,000 saving to reduce staff mileage rates across the Council, which were not achieved in 2020/21 due to Covid-19. The Digital and staff mileage savings have been partly mitigated by savings in the Directorate outturn positions, for example by reduced mileage undertaken by staff as a result of Covid-19.

Council Tax and Business Rates Income

75. Income from Council Tax and Business Rates (NNDR) is accounted for within the Collection Fund. Due to regulations on the Collection 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.
76. During 2020/21 there were a number of issues, which resulted in significant pressures on Council Tax and Business Rates income.
77. There was 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 led 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 was still an effect on the estimated amount of debt outstanding as overall collection has been reduced.
78. Our budgeted council tax base includes assumptions on housing growth. If there is reduced growth in housing numbers, this will impact on total income levels.
79. Despite support for businesses through increased reliefs and grants, there remain a significant number 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.
80. 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 and how it provides for this in the form of its bad debt provision.
81. Within the Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22 report to Council on 24 February 2021 it was noted that the current estimated overall financial impact of Covid-19 on Council Tax and Business Rates income to the Council in 2020/21 was estimated to be £3.696m. It is normal practice that any arising deficit would need to be fully funded in 2021/22. However, as outlined in paragraphs 56 and 62 the Government announced that this could be spread over the next three years meaning that it was estimated that there would be an effect of £1.232m p.a. in 2021/22, 2022/23, and 2023/24. The Government also outlined that Government funding would be provided to compensate councils for an element of the deficit, based on a methodology which was provided to councils that 75% of any losses below a pre-determined level.
82. The Government provided councils with Section 31 Grant Funding for the lost income caused by the Covid-19 Business Rates Reliefs provided by the Government to businesses. The accounting regulations require that local authorities carry forward to 2021/22 the lost income from Business Rates via a deficit on the Collection Fund and then carry forward to 2021/22, via a reserve, the Section 31 Grant Funding provided in order to mitigate the Collection Fund deficit carried forward. This means that there is a need to transfer £10.555m of Section 31 Grant to a Business Rates Deficit Reserve and this will be used over the three-year period to offset any deficit that accrues and the remainder will be repaid to central government.

83. Due to the impact of Covid-19 and the need to follow some detailed technical guidance, which has been provided by the Ministry of Housing, Communities & Local Government (MHCLG) and the Chartered Institute of Public Finance and Accountancy (CIPFA), the calculation of the final Collection Fund year-end position has been delayed and is currently still being finalised. However, initial calculations indicate that the final year-end Collection Fund position is likely to be better than that estimated previously, as mentioned in paragraph 81, due to higher than anticipated collection rates. Any saving from this improved position will not be realised until 2022/23 and future years and updates of this will be provided in future budget monitoring and MTFP update reports to Executive.

Summary of Covid-19 Financial Pressures

84. The financial impact of the Covid-19 pandemic in 2020/21 is summarised below, along with a breakdown of the funding split between the Government grant funding and the Council, based on funding provided by the Government as detailed in paragraphs 55 to 62:

	<u>Grant Allocation 2020/21 £m</u>	<u>Actual 2020/21 £m</u>	<u>Cost to Council 2020/21 £m</u>
Extraordinary costs incurred		10.697	
Commercial income losses		0.499	
Unachievable Change Programme savings		1.803	
Total Covid-19 General Support grant (2020/21)	14.697	12.999	-1.698
Sales, Fees and Charges (SFC) income loss grant (2020/21)	4.411	6.525	2.114
NET COST TO COUNCIL OF COVID-19 2020/21			0.416
<u>OTHER COVID-19 GRANTS</u>			
	<u>Grant Allocation 2020/21 £m</u>	<u>Actual 2020/21 £m</u>	<u>Grant Remaining £m</u>
Clinically Extremely Vulnerable (CEV) - see Note 1	0.538	0.340	0.198
Test And Trace - see Note 2	1.566	0.879	0.687
Contain Outbreak Management Fund (COMF) - see Note 2	3.968	3.968	0.000
Total Other Covid-19 Grants	6.072	5.186	0.885
<u>Note 1</u>			
For CEV Grant £198k of remaining grant is to be carried forward for use in 2021/22.			
<u>Note 2</u>			
For Test & Trace £687k of remaining grant is to be carried forward for use in 2021/22.			
For COMF the full grant received has been fully utilised in 2020/21. The Council will receive another £1,370,402 of COMF funding in 2021/22 which will be used for schemes already approved which are progressing.			

85. The above table shows that there has been a financial pressure due to Covid-19 of £416,000 in 2020/21. On 2 September 2020 the Council approved the use of the General Fund Reserve to cover any overspend in 2020/21, with £4.928m being

transferred from the Investment Fund Contingency Reserve to the General Fund Reserve to fund this. It is now proposed that the remaining £4.512m funding set aside for this in the General Fund Reserve is transferred to a separate Reserve to cover potential costs arising from the Covid-19 recovery in 2021/22 and future years.

Revenue budget spending controls

86. 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 remained in place for 2020/21, specifically:
- a vacancy control process overseen by the Leadership Management Team;
 - checks against proposed expenditure of over £5,000 by the procurement team; and
 - strong controls over staff travel, the ordering of stationery and use of first class post.
87. 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 and also due to the impact of Covid-19. Monthly reports on agency costs are reported to senior managers for consideration.
88. As outlined in the Quarter Four report for 2019/20 a number of plans were put in place for 2020/21 to mitigate overspending within Children's Services. These were as 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 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.

89. While the mitigations above have been progressed during 2020/21, and efficiencies 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.
90. 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. In 2020/21 the numbers of children in care have reduced, and the position will be constantly monitored and in future MTFP reviews an informed and prudent view will be taken of the length of time that will need to be allowed for this work to deliver results as well as the monitoring arrangements required.
91. The Council has set aside approximately £1.6m per annum of Council funding for 2020/21 and 2021/22 to support the Ofsted Improvement Plan. There has been an underspend of £188,366 against the allocation for 2020/21 and this will be carried forward to 2021/22. Progress against the plan is being monitored by the Multi-Agency Strategic Improvement Board, and any further variances from the budgets contained in the Ofsted Improvement Plan will be detailed in future budget monitoring reports.

Capital Budget Outturn 2020/21

92. As part of the Quarter Three report to Executive on 16 February 2021, Executive approved a revised capital budget for 2020/21 of £45.195m. This was then reviewed, with a further year being added, and approved by Council as part of the Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22 report to Council on 24 February 2021.
93. Following a further review and the inclusion of new additional schemes, increases to existing schemes, and reductions to existing schemes (as detailed in paragraphs 96 to 98), the Council spent £42.078m at year-end. The reasons for the underspend to the revised capital budget are provided in the paragraphs below.
94. The revised Investment Strategy to 2023/24 is included at Appendix 1 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.
95. Two schemes over the £150,000 threshold were transferred between service areas:
 - Town Centre Accommodation Strategy – The budget of £4,438,000 has transferred from Finance to Regeneration, as officers within that directorate are responsible for the project management of the fit-out of the new Civic Centre, Fountains Court.

- Essential Repairs to the Captain Cook Public House – On 26th February 2021, as part of the Future Developments of Middlehaven report, Executive approved the commitment of £538,000 of funds from the Boho X project to be re-assigned for the stabilisation of the Captain Cook Public House. These funds have transferred from Regeneration to Environment and Community Services.

96. There are no schemes within the Investment Strategy that have been removed. Two schemes have had funding reduced by more than £150,000, the details of each are as follows:

- Middlesbrough Development Company – The scheme has reduced by £169,000 of Section 106 contributions to account for costs that the Council incurred directly on behalf of the company.
- Abingdon Primary School Extension, Alterations and Improvements Programme – The total resources within the Investment Strategy has reduced by £379,000 due to Council resources assigned to the project being removed and replaced by unallocated Basic Needs grant which is already accounted for within the Investment Strategy.

97. It is proposed to add the following schemes or increase existing schemes above £150,000 not yet approved by Executive, to the revised Investment Strategy, set out at Appendix 1 for consideration and approval :

- Local Transport Plan 2021/22 – On 10 May 2021, the Council received official notification from the Department of Transport via TVCA of Local Transport Plan grant funding of £3,403,262 for 2021/22.
- Waste Procurement Project – £368,000 of resources are required for feasibility and consultancy charges in respect of a Joint Waste Disposal scheme that the Council has entered into with neighbouring local authorities.

98. The following which have been recently been approved by Executive are also to be included in the revised Investment Strategy, set out at Appendix 1 for consideration and approval :

- Towns Fund and Future High Streets Fund - Executive approved on 27 May 2021, the Towns Fund and Future High Streets Fund report. The report provides details of the Councils success in obtaining grant funding from MHCLG of £21,900,000 from the Towns Fund and £14,170,000 from the Future High Streets Fund. The report provides detail of how the grants will be utilised and the significantly positive effects and outputs which will be achieved throughout Middlesbrough.
- Brownfield Housing Fund - on 26 February 2021, Executive approved the Future Developments of Middlehaven report. Stated within the report was confirmation that £7,922,000 of grant funding had been secured from the MHCLG Brownfield Housing Fund for the remediation of brownfield land within Middlehaven, which will result in the construction of 634 units.

- Linthorpe Road Cycleway - on 19 January 2021, Executive approved the Local Cycling and Walking Implementation Plan; Linthorpe Road Corridor report, which detailed plans for the re-allocation of road space to deliver cycle infrastructure improvement along the Linthorpe Road corridor. The project is fully funded from a £1,993,291 grant provided by TVCA.
- Schools Capital Programme 2021 – In a report to Executive on 24 May 2021 Executive approved the following new additions to the Investment Programme:
 - a) £750,000 of Section 106 (S106) developer contributions from the development of the Grey Towers site will be allocated equally to primary schools within Nunthorpe to fund enlargement schemes.
 - b) £1,645,311 Basic Needs capital grant allocation for 2022/23 as announced by the Department for Education on 21 February 2021.
 - c) £1,159,882 High Needs Provision capital grant allocation for 2021/22 as announced by the Department for Education on 25 March 2021.

99. The split by Directorate is shown in the table below, which also shows the “real” projected outturn variance if all of the additional new schemes, increased schemes, reduced schemes, and transfers between directorates are excluded. Explanations for variances of +/- £150,000 across 14 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	
	Investment Strategy Budget (as per Budget report to Council £'000)	Final Investment Strategy Outturn £'000	Final Investment Strategy Outturn Variance £'000	New, increased & reduced Schemes / transfers £'000	Real outturn variance excluding new, increased, & reduced schemes / transfers £'000
Regeneration	25,180	24,960	(220)	(169)	(51)
Environment and Community Services	8,993	7,524	(1,469)	433	(1,902)
Public Health and Public Protection	0	0	0	0	0
Education & Partnerships	4,912	4,093	(819)	(379)	(440)
Children’s Care	395	414	19	0	19
Adult Social Care and Health Integration	3,597	3,012	(585)	0	(585)
Legal and Governance Services	1,713	1,596	(117)	10	(127)
Finance	405	479	74	0	74
Total	45,195	42,078	(3,117)	(105)	(3,012)

Regeneration

100. Town Centre Related Projects (Centre Square Developments) - The Council is contractually obliged to provide contributions to tenants at Centre Square buildings 1 and 2 for elements of the fit out works undertaken by tenants, for example allowances for carpets that were not laid down. These allowances have not been claimed in 2020/21 as previously assumed, resulting in £248,000 of planned expenditure being transferred into 2021/22.

101. Housing Growth (Stainton Way Western Extension) – The Stainsby Country Park Executive report of 22 December 2020 stated that the masterplan would be adopted as design guidance in February 2021 and it was anticipated that work to develop the Stainton Way Western Extension could commence, with initial expenditure being incurred in 2020/21. The detailed consideration of the responses to the consultation process has caused the decision to adopt the masterplan to be delayed until May 2021 and as a result it has not been possible to commence the works as previously envisaged and £200,000 of planned expenditure has now transferred into 2021/22.
102. Middlesbrough Development Company - £711,000 of funds originally expected to be incurred in 2020/21 in relation to the Tollesby Shops project have been transferred into 2021/22. This was due to an uncertainty in respect of a grant from Homes England. The grant has now been approved but the delay caused has resulted in the start of the physical works being undertaken later than originally anticipated.
103. Town Centre Accommodation Strategy – in order to fund the purchase of the new Civic Centre, Fountains Court, approximately £1.8m of funding has been transferred from 2022/23 to 2020/21. As mentioned in paragraph 95 this budget now sits under Regeneration.

Environment and Community Services

104. Local Transport Plan (LTP) - due to issues arising within Redcar & Cleveland Council regarding joint tender arrangements, £1,009,000 of planned expenditure relating to principal inspections of bridges and structures has been transferred to 2021/22. These issues have now been resolved and the inspections are underway with an anticipated completion date of June 2021.
105. Hostile Vehicle Mitigation – The scheme was due to complete during 2020/21, however, delays associated with the late delivery of materials, as a consequence of Covid-19, have resulted in the project completion date now being expected to be late Spring 2021. £299,000 of project funding has therefore been transferred into 2021/22.
106. Urban Traffic Management Control – The contractor has been unable to complete the works as anticipated due to delays caused by Covid-19. This has resulted in £191,000 being transferred into 2021/22.
107. Transporter Bridge - £179,000 has been transferred into 2021/22, due to additional safety concerns, which have resulted in delays in the inspections and urgent safety works, which have now been completed.
108. Street Lighting Maintenance – The maintenance programme has been delayed due to bringing the service back in-house and Covid-19 issues regarding staff needing to self-isolate, resulting in £177,000 of planned expenditure being re-profiled into 2021/22.
109. Property Services Building Investment – In order to carry out essential works to various built assets, it has been necessary to bring £180,000 of planned future years expenditure into 2020/21.

Education and Partnerships

110. Schemes In Special Schools – £330,000 has been transferred into 2021/22 as works on the heating pipework at Priory Woods are subject to a review of the heating system, which will be undertaken in 2021/22.
111. Schemes In Maintained Primary Schools – The snagging works in respect of the Breckon Hill Extension and Alteration scheme did not complete as planned in 2020/21 resulting in the works being completed in 2021/22. Due to the delays, £150,000 of planned expenditure has therefore been re-profiled from 2020/21.

Adult Social Care and Health Integration

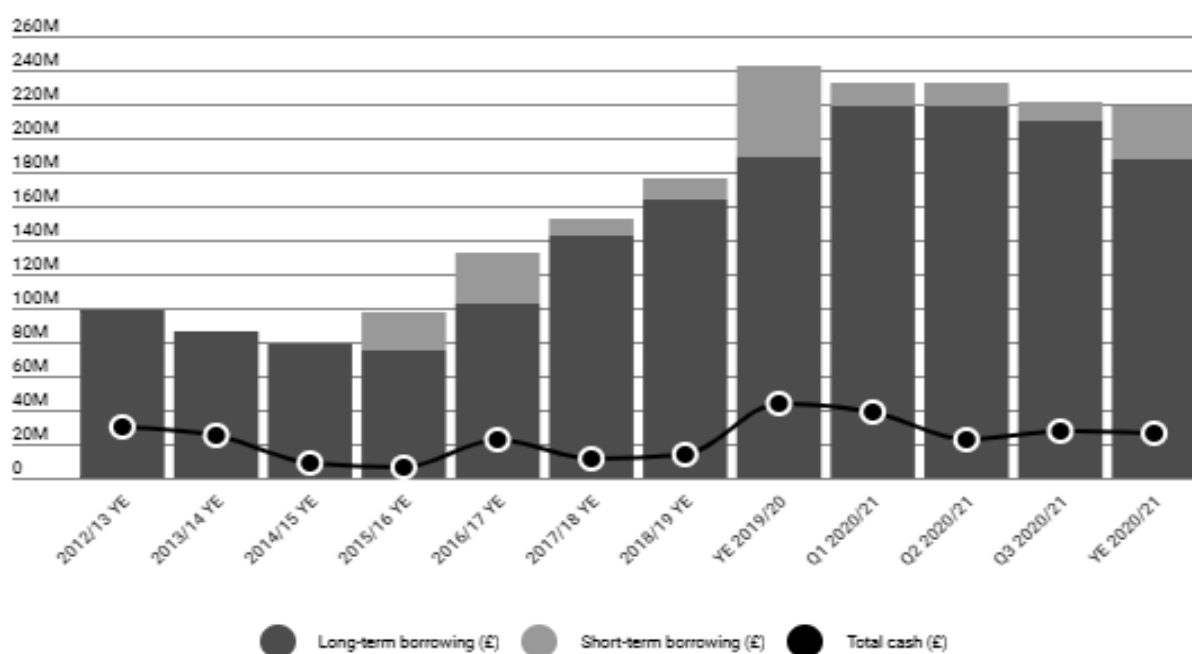
112. Disabled Facilities Grant – The national lockdown that commenced in late December 2020 has resulted in a lack of contractor availability. This coupled with service users shielding and not permitting contractors into their homes has resulted in £396,000 of works not being undertaken as planned in 2020/21. The funds have therefore been transferred into 2021/22.

Finance

113. Derisking Sites - £158,000 of future years budget has been brought into 2020/21 to fund various works that have been required in-year.
114. The following transfer of budget to / from schemes within the same Directorate has taken place
 - £465,000 of funding is available within the Investment Strategy following the acquisition of the Captain Cook Shopping Precinct and 37 Linthorpe Road (the House of Fraser building) for amounts lower than the funding provided. These available funds have been transferred to the Teesside Advanced Manufacturing Park (TAMP) scheme. The total funding for TAMP included an assumption that the capital receipt proceeds from two plots within the overall site would be added upon the sale of the land. The plots referred to are currently with legal for the completion of the sales. The savings from the Town Centre acquisitions present the opportunity for the necessary funds to be transferred now, with the receipts from the plots at TAMP being freed for wider capital investment. It should be noted that the TAMP project is proving to be significantly more successful than first envisaged in terms of the speed of securing tenancies and the revenue that the rent is achieving. Just one year after practical completion occupancy levels stand at 85% with only one unit left available for rent and the contractual heads of terms are currently being finalised with a tenant for this remaining unit.

Borrowing & Prudential Indicators

115. The Council's total borrowing decreased from £242.7m at 31st March 2020 to £218.8m at 31st March 2021. This decrease reflects the repayment of £20m of short-term borrowing taken out in the early weeks of the Covid-19 pandemic in March 2020 to ensure sufficient liquidity on emergency business grants. The remaining decrease of £3.9m relates to the repayment of principal on annuity loans held by the Council. No external borrowing was needed for Investment Strategy purposes due to much of the Covid-19 funding being paid in advance of need by central government and cash balances being healthy. This position is expected to unwind during the 2021/22 financial year.
116. The ratio of short-term to long-term borrowing has increased at 31st March 2021. This is a consequence of the maturity profile of the Council's debt portfolio and the fact that some of the long-term loans now have less than 12 months to run until they need to be fully repaid. These are now classed as short-term borrowing.



117. The affordability and sustainability of the Investment Strategy and its total level of external borrowing and capital financing costs is self-regulated by the Council through a set of prudential indicators. These are threshold levels that are set as part of the integrated budget setting process in late February. CIPFA and MHCLG view this as approach as best practice in ensuring resources are allocated prudently to capital schemes.
118. The table below gives a summary comparison of the budget against outturn position on each of the prudential indicators adopted by the Council.

Prudential Indicators - 2020/21 outturn position		
	<u>Budget</u> <u>(£m)</u>	<u>Actual</u> <u>(£m)</u>
Capital Expenditure	65.831	42.078
<u>Financing</u>		
External Sources	23.849	17.470
Own Resources	18.625	6.380
Debt	23.357	18.228
Capital Financing Requirement	259.174	246.448
External Debt	243.409	218.756
Investments	15.000	24.350
Capital Financing	10.153	9.955
Cost as a % of revenue budget	8.7%	8.5%

119. The total capital spend & level of financing have reduced considerably since the original budget was set for 2020/21. This is a result of a re-prioritisation of the Investment Strategy due to some capital receipts on land sales falling outside of the three-year medium term financial planning timeframe. Also it reflects a level of slippage on the existing programme for schemes not completed in the year as reported earlier in this report plus the impact of Covid-19 on the deliverability of individual schemes.
120. Although the Council has used £18.2m of borrowing to fund the overall programme during 2020/21, the Council has used internal funds (mainly from government grants paid in advance) to pay for this and therefore has not had to take any external loans. This is known as under-borrowing. The Council's total under borrowed position (external debt compared to the capital financing requirement – or underlying need to borrow) is £27.7m. This has increased from the £15.8m expected when the budget was set. Again this position should unwind during the 2021/22 financial year as the grants are used for their intended purposes and the borrowing needs to be taken for cash purposes.
121. The amount of external debt at £218.8m and the total underlying need to borrow of £246.4m are both well below the Council's authorised limit of £300m. This is the threshold above which any borrowing would be illegal. The lower level of external debt than expected at budget setting has contributed to an underspend against the capital financing budget of £0.2m. These costs now total 8.5% as a proportion of the net revenue budget.

Reserves

122. The impact of Covid-19 in 2020/21 has meant that the level of reserves at year-end is higher than in a normal year. A large proportion of this is due to the accounting treatment required for Section 31 Business Rates Relief Grant which is required to be carried forward to 2021/22 to fund the 2020/21 Collection Fund deficit (as detailed in paragraph 82). As detailed in the report savings have been made in service areas in 2020/21, however there is a need to maximise reserves as far as possible in order to fund the potential pressures that will arise in future years due to the on-going effects of the Covid-19 recovery and the pressures within Children's Services.

123. Within the report a number of transfers to reserves have been detailed. These are summarised below and it requested that Executive approve the transfers to the appropriate reserves.

- Public Health Grant underspend to Public Health Reserve (£438,000)
- Adult Social Care underspend to an Adult Social Care Covid Recovery Reserve (£1,598,000)
- Ofsted Improvement Plan Budget underspend in 2020/21 to carry forward to 2021/22 via an Ofsted Support Reserve (£188,000)
- Net saving from the clearance of holding and other codes, which are no longer used within Education, to a Children's Services Improvement Reserve (£175,000)
- School contributions to capital schemes to a Children's Services Demand Reserve (£732,000)
- Saving in Adult Social Care in 2020/21 due to the reduction in demand for long-term residential care to a Social Care Demand Reserve (£500,000)
- Section 31 Business Rates Relief Grant to a Business Rates Deficit Reserve to fund 2020/21 Collection Fund deficit (£10,555,000)

124. The table below sets out a summary of the balance of reserves and provisions at the start of 2020/21 and as at year-end and further detail is provided in Appendix 2. The year-end balances assume that the transfers to the reserves as detailed in paragraph 123 above are approved by Executive:

Reserves and Provisions	Opening Balance £000's	Use In Year £000's	Additional Contributions £000's	Transfers between reserves £000's	Transfers from General Fund £000's	Outturn Transfers £000's	Balance at Year End £000's
General Fund Reserve	9,400	0	746	416	0	(61)	10,501
Covid Recovery Reserve	0	0	0	4,512	0	0	4,512
Earmarked Reserves	16,069	(9,135)	14,383	(5,074)	439	14,186	30,869
School balances	3,241	(3,241)	4,864	0	0	0	4,864
Provisions	2,507	(2,475)	2,264	146	113	0	2,555
TOTAL	31,218	(14,851)	22,257	0	552	14,125	53,301

What decisions are being asked for?

125. That Executive approves the transfer to Reserves as detailed in the report and summarised in paragraph 123 of the report.
126. That the Executive notes the 2020/21 revenue budget final year-end outturn of a £355,000 (-0.3%) underspend on non-Covid-19 elements (subject to above approval of transfers to reserves), and the financial effect of Covid-19 in 2020/21 of £416,000.
127. That the Executive approves the transfer of the £355,000 underspend on non-Covid-19 elements to the General Fund Reserve.
128. That the Executive notes the use of the General Fund Reserve, as approved by Council on 2 September 2020, to fund the £416,000 Covid-19 overspend in 2020/21.
129. That the Executive approve the transfer of the remaining £4.512m funding set aside in the General Fund Reserve to a separate Reserve, to cover potential costs arising from the Covid-19 recovery in 2021/22 and future years.
130. That the Executive notes the 2020/21 capital budget final outturn of £42.078m against a revised budget of £45.195m, and approves the revised Investment Strategy to 2023/24 at Appendix 1.

Why is this being recommended?

131. 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

132. Not applicable.

Impact(s) of recommended decision(s)

Legal

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

Financial

134. The Council's year-end revenue outturn position for 2020/21 for non-Covid-19 elements is an underspend of £355,000 assuming that proposed transfers of £438,000 of the Public Health Grant underspend to a Public Health reserves and £1,598,000 of the Adult Social Care underspend to an Adult Social Care Covid Recovery Reserve, in order to help to mitigate future costs arising from Covid-19 in these areas, are approved by Executive. The £355,000 underspend on non-Covid-19 elements is proposed to be transferred to the General Fund Reserve.

135. There has been a financial pressure due to Covid-19 of £416,000 in 2020/21. On 2 September 2020 the Council approved the use of the General Fund Reserve to fund any overspend in 2020/21, with £4.928m being transferred from the Investment Fund Contingency Reserve to the General Fund Reserve to fund this. It is now proposed that the remaining £4.512m funding set aside for this in the General Fund is transferred to a separate Reserve to cover potential costs arising from the Covid-19 recovery in 2021/22 and future years.
136. The final 2020/21 capital budget outturn at year-end is £42.078m. An updated Investment Strategy for the period to the end of 2023/24 is attached in Appendix 1 of this report.

Policy framework

137. 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

138. 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

139. In line with the Council's Risk Management Policy, the corporate Strategic Risk Register will be reported to this Executive as part of the Strategic Plan 2020-23 – Year End 2020/21 report.

Actions to be taken to implement the decision(s)

140. Mitigating activity set out in the main body of the report will continue to be applied by Directorates as stated.
141. The actions outlined within the body of the report in relation to overspending within Children's Safeguarding will continue to be implemented.
142. If approved the revised Investment Strategy included at Appendix 1 will be adopted.

Appendices

1. Proposed revised Investment Strategy to 2023/24
2. Detail of reserves and provisions as at 31/3/21

Background papers

15/01/20	Council	Priorities of the Elected Mayor of Middlesbrough 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
18/08/20	Executive	Revenue and Capital Budget – Projected Outturn position as at Quarter One 2020/21
02/09/20	Council	Revenue and Capital Budget – 2020/21 Quarter One Projected Outturn position and the use of reserves for in year Covid-19 Pressures
29/09/20	Executive	Medium Term Financial Plan Update
24/11/20	Executive	Revenue and Capital Budget – Projected Outturn position as at Quarter Two 2020/21
24/11/20	Executive	Refreshing the Strategic Plan for the 2021-24 period
24/11/20	Executive	Medium Term Financial Plan Update, and Budget Savings Proposals 2021/22
22/12/20	Council	Medium Term Financial Plan Update, and Budget Savings Proposals 2021/22
16/02/21	Executive	Revenue and Capital Budget – Projected Outturn position as at Quarter Three 2020/21
16/02/21	Executive	Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22
24/02/21	Council	Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22

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Appendix 1: Proposed revised Investment Strategy to 2023/24

	Total Funding Required					Council Funding £'000	External Funding £'000
	2020/21	2021/22	2022/23	2023/24	TOTAL		
Regeneration	£'000	£'000	£'000	£'000	£'000		
Town Centre Related Projects	592	1,981	580	204	3,357	2,478	879
Middlehaven Related Projects	139	95	500	-	734	734	-
Housing Growth	91	2,485	1,183	-	3,759	3,708	51
BOHO X	1,112	11,413	13,422	-	25,947	1,362	24,585
BOHO 8	2,428	34	-	-	2,462	-	2,462
Brownfield Housing Fund	-	5,202	2,090	630	7,922	-	7,922
Towns Fund	-	3,525	17,875	500	21,900	-	21,900
Future High Streets Fund	-	8,670	5,500	-	14,170	-	14,170
Acquisition of Town Centre Properties	9,619	6	1,000	-	10,625	10,625	-
Town Centre Accommodation Strategy	1,863	2,575	-	-	4,438	4,438	-
Middlesbrough Development Company	865	12,869	-	-	13,734	9,703	4,031
Teesside Advanced Manufacturing Park	1,533	855	-	-	2,388	2,005	383
Capitalisation Of Major Schemes Salaries	530	530	530	530	2,120	2,120	-
Capitalisation of Planning Services Surveys	-	40	40	40	120	120	-
Affordable Housing Via Section 106	-	-	1,255	-	1,255	830	425
Highways Infrastructure Development Section 106	-	-	1,730	-	1,730	-	1,730
Stainton Way Dixon Bank Junction - Section 106	15	-	-	-	15	15	-
The Big Screen	-	20	-	-	20	20	-
A66 Throughabout	2,630	-	-	-	2,630	-	2,630
Mandale Interchange	397	22	-	-	419	-	419
Tees Amp Footway / Cycleway	293	-	-	-	293	-	293
Linthorpe Road Cycleway	-	1,994	-	-	1,994	-	1,994
Replacement of Ticket Machines	-	189	-	-	189	189	-
LED Street Lighting Upgrade (Phase 2)	348	69	-	-	417	417	-
Joint Air Quality Unit (JAQU) - All schemes	529	-	-	-	529	-	529
Members Small Schemes	26	38	-	-	64	29	35
Grove Hill Joint Venture Projects	-	14	-	-	14	-	14
Gresham Projects	779	10	-	-	789	789	-
North Ormesby Housing Joint Venture - Section 106 funded	66	355	-	-	421	-	421
Empty Homes 2015 To 2018	-	416	-	-	416	-	416
Local Transport Plan	900	1,914	-	-	2,814	13	2,801
Town Hall Venue Development	48	59	-	-	107	107	-
Cultural Transformation	-	21	-	-	21	21	-
Theatre Winches / Lifts	4	39	-	-	43	43	-
Dorman Museum	2	19	-	-	21	21	-
Contribution To Public Arts Projects	-	17	-	-	17	17	-
Public Art Work	23	35	-	-	58	58	-
Newham Grange Leisure Farm	113	-	-	-	113	113	-
Leisure Trust Investment - Equipment	-	75	-	-	75	75	-
Town Hall Telephone Kiosks Upgrade	15	-	-	-	15	15	-
Stewart Park Section 106	-	45	-	-	45	-	45
Investment In Parks	-	100	-	-	100	100	-
							-
Total Regeneration	24,960	55,731	45,705	1,904	128,300	40,165	88,135

	Total Funding Required					Council Funding £'000	External Funding £'000
	2020/21	2021/22	2022/23	2023/24	TOTAL		
Environment and Community Services	£'000	£'000	£'000	£'000	£'000		
Purchase of New Vehicles	298	930	1,000	1,200	3,428	3,428	-
Capitalisation of Wheeled Bin Replacement	100	100	100	100	400	400	-
Capitalisation of Street Furniture / Dog Fouling & Litter Bins	55	55	55	55	220	220	-
Capitalisation of Highways Maintenance	575	575	575	575	2,300	2,300	-
Property Services Building Investment	340	340	340	340	1,360	1,360	-
Parks Improvement	-	83	-	-	83	83	-
Nunthorpe Playing Fields S106	57	-	-	-	57	-	57
Local Transport Plan - Highways Maintenance	1,412	5,545	-	-	6,957	2,098	4,859
Street Lighting-Maintenance	401	645	468	468	1,982	1,982	-
Urban Traffic Management Control	202	291	-	-	493	-	493
Flood Prevention	237	11	-	-	248	-	248
Department for Transport Pothole Fund	1,100	-	-	-	1,100	-	1,100
Members Small Schemes	2	139	60	60	261	261	-
Property Asset Investment Strategy	1,177	639	919	1,200	3,935	3,870	65
Nunthorpe Sports Facilities	-	100	-	-	100	-	100
East Middlesbrough Community Hub	178	851	-	-	1,029	1,029	-
Christmas Lights	350	-	-	-	350	350	-
Section 106 Ormesby Beck	-	15	-	-	15	-	15
Section 106 Cypress Road	-	20	-	-	20	-	20
Hostile Vehicle Mitigation	196	374	-	-	570	570	-
Transporter Bridge	476	179	-	-	655	328	327
Henry Street	-	13	-	-	13	-	13
CCTV	-	50	-	-	50	50	-
Captain Cook Public House	-	538	-	-	538	538	-
Outer Area Shopping Centres	-	40	-	-	40	40	-
Waste Procurement Project	368	-	-	-	368	368	-
Total Environment and Community Services	7,524	11,533	3,517	3,998	26,572	19,275	7,297

	Total Funding Required					Council Funding £'000	External Funding £'000
	2020/21	2021/22	2022/23	2023/24	TOTAL		
Public Health and Public Protection	£'000	£'000	£'000	£'000	£'000		
Health & Wellbeing Hub	-	756	-	-	756	679	77
Total Public Health and Public Protection	-	756	-	-	756	679	77

	Total Funding Required					Council Funding £'000	External Funding £'000
	2020/21	2021/22	2022/23	2023/24	TOTAL		
Education and Partnerships	£'000	£'000	£'000	£'000	£'000		
Block Budget (Grant) Devolved Formula Capital - Various Schools	-	77	-	-	77	-	77
Block Budget (Grant) Section 106 Avant Low Gill	-	35	-	-	35	-	35
Block Budget (Grant) High Needs Provision Capital Allocation	-	1,060	-	-	1,060	-	1,060
Block Budget (Grant) School Condition Allocation	-	58	-	-	58	-	58
Block Budget (Grant) Basic Needs	-	5,861	1,645	-	7,506	-	7,506
Schemes in Maintained Primary Schools	2,387	1,285	167	-	3,839	602	3,237
Schemes in Primary Academies	195	395	400	-	990	-	990
Schemes in Secondary Academies	865	1,786	607	-	3,258	-	3,258
Schemes in Special Schools	544	681	-	-	1,225	371	854
Capitalisation of Salary Costs	102	104	-	-	206	-	206
Contribution to New School at Middlehaven	-	1,700	-	-	1,700	700	1,000
Block Budget (Grant) EFA Early Years 2 Year olds Entitlement (Trajectory Project)	-	7	-	-	7	-	7
Total Education and Partnerships	4,093	13,049	2,819	-	19,961	1,673	18,288

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
Children's Care	£'000	£'000	£'000	£'000	£'000
Edge Of Care Project (Hub)	347	35	-	-	382
Edge Of Care Project (Spencerfield 117-120)	18	-	-	-	18
Edge Of Care Project (3 Broadwell)	10	-	-	-	10
Rosecroft Renovations	35	182	20	-	237
Children's Care Residential Provision	1	230	19	-	250
Contact Centre - Bus Station Unit 1	3	-	-	-	3
Parklands Middlesbrough Intermediate Care Centre	-	234	20	-	254
Bathroom Refurbishment	-	18	-	-	18
Total Children's Care	414	699	59	-	1,172

Council Funding	External Funding
£'000	£'000
382	-
18	-
10	-
237	-
250	-
3	-
254	-
18	-
1,172	-

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
Adult Social Care and Health Integration	£'000	£'000	£'000	£'000	£'000
Chronically Sick & Disabled Persons Act - All schemes	533	832	610	610	2,585
Disabled Facilities Grant - All schemes	2,285	3,120	-	-	5,405
Capitalisation of Staying Put Salaries	50	50	50	50	200
Home Loans Partnership (Formerly 5 Lamps)	29	54	-	-	83
Small Schemes	15	33	-	-	48
Connect / Telecare IP Digital Switchover	100	138	-	-	238
Total Adult Social Care and Health Integration	3,012	4,227	660	660	8,559

Council Funding	External Funding
£'000	£'000
2,513	72
816	4,589
200	-
-	83
-	48
238	-
3,767	4,792

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
Legal and Governance Services	£'000	£'000	£'000	£'000	£'000
Desktop Strategy / Device Refresh	307	153	-	-	460
Enterprise Agreements	353	353	-	-	706
Customer Relationship Management	19	96	-	-	115
IT Refresh - Network Refresh	4	159	-	-	163
IT Refresh - Lights On	241	60	-	-	301
IT Refresh - LCS Development Capture	7	18	-	-	25
IT Refresh - Business Intelligence	-	3	-	-	3
ICT Essential Refresh & Licensing	233	2,447	2,185	2,185	7,050
ICT Innovation Budget	326	160	-	-	486
GIS Replacement	38	129	-	-	167
Civic Centre Device Refresh	8	-	-	-	8
Prevention & Partnership Tablets	-	70	-	-	70
HR Pay	-	37	-	-	37
Dashboards	60	-	-	-	60
Total Legal and Governance Services	1,596	3,685	2,185	2,185	9,651

Council Funding	External Funding
£'000	£'000
460	-
706	-
115	-
163	-
301	-
25	-
3	-
7,050	-
468	18
167	-
8	-
70	-
37	-
60	-
9,633	18

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
Finance	£'000	£'000	£'000	£'000	£'000
Former Partnership Investment (ICT Infrastructure Revenues & Benefits)	37	397	-	-	434
Business World Upgrade	30	35	-	-	65
Derisking Sites	412	104	1,042	900	2,458
Capitalisation of Property Finance Lease Arrangements	-	3,500	500	500	4,500
Total Finance	479	4,036	1,542	1,400	7,457

Council Funding	External Funding
£'000	£'000
434	-
65	-
2,458	-
4,500	-
7,457	-

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
ALL DIRECTORATES	£'000	£'000	£'000	£'000	£'000
Total ALL DIRECTORATES	42,078	93,716	56,487	10,147	202,428

Council Funding	External Funding
£'000	£'000
83,821	118,607

	Total Funding				
	2020/21	2021/22	2022/23	2023/24	TOTAL
FUNDED BY:	£'000	£'000	£'000	£'000	£'000
Borrowing	(18,228)	(20,999)	(4,474)	-	(43,701)
Finance Leases	-	(3,500)	(500)	(500)	(4,500)
Capital Receipts	(6,374)	(11,782)	(8,652)	(8,468)	(35,276)
Grants	(16,418)	(51,122)	(40,285)	(1,179)	(109,004)
Contributions	(1,052)	(5,992)	(2,559)	-	(9,603)
Revenue Resources	(6)	(321)	(17)	-	(344)
Funding from Reserves	-	-	-	-	-
Total FUNDING	(42,078)	(93,716)	(56,487)	(10,147)	(202,428)

Council Funding	External Funding
£'000	£'000
(43,701)	-
(4,500)	-
(35,276)	-
-	(109,004)
-	(9,603)
(344)	-
(83,821)	(118,607)

Appendix 2: Detail of reserves and provisions as at 31/3/21

Reserves and Provisions	Opening Balance £000's	Use In Year £000's	Additional Contributions £000's	Transfers between reserves £000's	Transfers from General Fund £000's	Outturn Transfers £000's	Balance at Year End £000's
General Fund Reserve	9,400		746	416		(61)	10,501
Covid Recovery Reserve	0			4,512			4,512
Earmarked for specific purposes							
Public Health Reserves	0					438	438
Adult Social Care Covid Recovery Reserve	0					1,598	1,598
Ofsted Support Reserve	0					188	188
Children's Services Improvement Reserve	0					175	175
Children's Services Demand Reserve	0					732	732
Social Care Demand Risk Reserve	0					500	500
Business Rates Deficit Reserve	0					10,555	10,555
Business Rates Risk Reserve	1,670						1,670
Business Rates Relief Reserve	49						49
Change Fund	415	(1,145)	1,321	(146)			445
Investment Fund	4,928			(4,928)			0
Insurance Fund (MBC)	0		270				270
CCC Insurance Fund	360	(324)					36
Insurance Fund (Fire)	0		0				0
Capital Refinancing Reserve	175						175
School Reserves - DSG	(2,065)	(2,001)	775				(3,291)
Other Reserves & Provisions	10,538	(5,665)	12,017		439		17,329
Earmarked Reserves	16,069	(9,135)	14,383	(5,074)	439	14,186	30,869
School balances	3,241	(3,241)	4,864				4,864
Provisions	2,507	(2,475)	2,264	146	113	0	2,555
TOTAL	31,218	(14,851)	22,257	0	552	14,125	53,301