

Report of:	Director of Finance: Ian Wright Executive Member for Environment and Finance & Governance: Cllr Barrie Cooper
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Submitted to:	Overview & Scrutiny Board – 20 October 2021
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Subject:	Revenue and Capital Budget - Projected Outturn Position as at Quarter One 2021/22
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Summary

Proposed decision(s)

- That OSB notes the 2021/22 revenue budget Quarter One total projected outturn of £3.753m, representing a £1.717m (1.5%) overspend on non-Covid-19 elements, and the estimated financial effect of Covid-19 in 2021/22 of £2.036m, and the proposed actions to address this.
- That OSB notes the proposed use of the following Reserves to fund the total projected overspend of £3.753m in 2021/22 :
 - Social Care Demand Reserve (£0.5m)
 - Children's Services Demand Reserve (£0.732m)
 - Covid Recovery Reserve (£2.521m)
- That OSB notes the proposed revenue budget virements over £150,000 (Appendix 1) as approved by Executive on 7 September 2021.
- That OSB notes the 2021/22 capital budget Quarter One predicted outturn of £82.029m against a budget of £93.716m, and the proposed revised Investment Strategy to 2023/24 at Appendix 2.

Report for:	Key decision:	Confidential:	Is the report urgent?
Noting	NA	No	No

Contribution to delivery of the 2021-24 Strategic Plan

People	Place	Business
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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 Overview & Scrutiny Board of the Council's financial position at Quarter One 2021/22, 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 collective responsibility for the overview of corporate strategic performance and financial management / monitoring.
3. This report provides the necessary information to enable the Overview & Scrutiny Board to discharge its overview responsibilities, setting out:
 - projected revenue and capital budget outturns as at Quarter One 2021/22;
 - position statements in relation to the Council's borrowing and prudential indicators, and its reserves and provisions; and
 - actions that the Council has taken and plans to address the issues raised.
4. As per Standing Orders and Financial Procedures, Executive on 7 September 2021 approved the revenue budget virements over £150,000 attached at Appendix 1.
5. A revised Investment Strategy for the period to 2023/24, as approved by Executive on 7 September 2021, is attached at Appendix 2.

Report Background

Revenue Budget Quarter One Outturn 2021/22

6. As reported in previous reports, the Covid-19 pandemic is having a significant impact on the Council's financial position. This has made the management of the Council's finances more difficult due to the constantly evolving situation and also the level of uncertainty regarding the financial effects of Covid-19 in 2021/22 and future years. Covid-19 financial pressures are being monitored separately from the normal non-Covid-19 financial position, and these are reported separately in paragraphs 45 to 73 below.
7. The 2021/22 Revenue budget for the Council is £116,492,035. During Quarter One there have been a number of transfers of services between Directorates due to managerial changes, and the financial position is reported against the new Directorate budgets. The Council's outturn position for 2021/22 for non-Covid-19 elements is projected to be an overspend of £1.717m (1.5%). The split by Directorate is shown in the table below:

Directorate	2021/22 Full Year Budget £'000s	2021/22 Projected Outturn (excluding Covid-19) £'000s	2021/22 Projected Over / (under) spend (excluding Covid-19) £'000s
Regeneration and Culture	3,140	2,230	(910)
Environment and Community Services	18,762	19,798	1,036
Public Health	(2,799)	(3,258)	(459)
Education & Partnerships	204	215	11
Children's Care	38,434	45,477	7,043
Adult Social Care and Health Integration	41,324	41,339	15
Legal and Governance Services	9,041	9,168	127
Finance	297	(328)	(625)
Central Budgets	8,089	3,568	(4,521)
Revenue Outturn	116,492	118,209	1,717

8. This when added to the estimated Covid-19 pressures of £2.036m detailed in paragraphs 45 to 73 results in a total projected outturn pressure at year-end 2021/22 of £3.753m.
9. It is proposed that the total projected overspend in 2021/22 will be covered by the full utilisation of the Social Care Demand Reserve of £0.5m and the Children's Services Demand Reserve of £0.732m, which were created at the end of 2020/21. It is proposed that the remaining £2.521m of the total projected outturn pressure is funded from the £4.512m Covid Recovery Reserve, which was created during 2020/21 to cover the potential costs arising from the Covid-19 recovery in 2021/22 and future years.
10. The level of Reserves remaining after the use of these Reserves is shown in the Reserves and Provisions Section of this report (paragraph 108) and in Appendix 3.

Progress against budget savings

11. £1.9m of additional budget efficiency savings were approved by Council on 24 February 2021 as part of the 2021/22 budget setting. There were also approximately £1m of savings approved in previous years relating to 2021/22.
12. It has not been possible to achieve one of the budget savings due to Covid-19 and this is detailed in paragraph 61 below.
13. 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 fully achieved in 2021/22, due to delays in implementing the projects partly caused by the effects of Covid-19. These savings were approved in previous years and are part of the budget set for 2021/22. These savings have been allocated to Directorates. A total

of £265,000 of the Digital project and mileage savings are projected to be achieved in 2021/22. The remaining £1,009,000 of the savings required will be fully covered by temporary one-off efficiency savings for 2021/22 that have been proposed by Directorates. These savings do not have a material effect on service delivery, and include the following main areas:

- Keeping posts vacant / delaying recruitment to vacant posts
- Further reducing the use of agency staff within Children's Care
- Reducing discretionary supplies and services and exam and courses fees expenditure
- Reviewing the amounts charged to grants in line with grant conditions
- Maximising the amounts that are charged to corporate Ofsted Improvement Fund and Change Fund funding within Children's Services
- Utilising surpluses held in joint arrangements budgets
- Savings arising from predicted reduced demand for services during 2021/22 following further analysis
- Deferring expenditure relating to Streetworks permit set up costs until 2022/23, where they can be covered by income to be received
- Utilising up to £233,000 of the Adult Social Care Recovery Reserve, which was created at year end 2020/21 for the potential effects of increased service demand, as it is currently predicted that the full amount will no longer be required

14. The above temporary one-off efficiency savings for 2021/22 will mean that there is no financial effect on the projected outturns for Directorates in 2021/22 due to the unachieved Digital and mileage savings.
15. It should be noted that it is expected that the full amount of savings relating to Digital and Mileage will be fully achieved from 1 April 2022 as per the original intended methods.

Directorate variances

16. The detail of the variances contained in the table in paragraph 7 are set out below. At Quarter One, 25 areas are projected to be spent +/- £150,000 of the agreed budget. Where appropriate, the on-going effects of variances will be considered as part of future updates of the Council's Medium Term Financial Plan.

Regeneration and Culture

17. Car parking income is projected to be below budget in 2021/22 due to the effects of Covid-19 lockdown and the recovery period throughout the rest of the year following the removal of lockdown restrictions. The pressure arising from this in 2021/22 is shown in the Covid-19 Reduction of Income section of the report (paragraph 58).
18. Grant income of £850,000 is predicted to be received from the Tees Valley Combined Authority (TVCA) in 2021/22 for the provision of 2 to 3 hour free parking across the Tees Valley. £68,000 of the TVCA grant relating to the Captain Cook Car Park, where the Council provides 3 hour free parking, has been used, as per the scheme guidance, to mitigate the effects of the lost income for the first quarter of 2021/22 to be reported under the Covid-19 Sales, Fees and Charges lost income scheme.

19. The Tees Advanced Manufacturing Park (TAMP) budget has previously been reported under Regeneration. For consistency of reporting income from Council owned properties, it has been decided that this budget will now be reported under the Commercial Rents budget within the Finance Directorate. A virement is included in Appendix 1 of this report to formally transfer this budget between Directorates. The performance against this budget is reported in this report under Finance.

Environment and Community Services

20. The Property Services budget is currently projected to be overspent by £433,000 at year-end. Within this budget there is an anticipated pressure against the Running Costs budget of £125,000, primarily due to the rising costs of electricity. This is subject to change and the final pressure at year-end will be funded from the Central Pay and Prices Contingency budget. A shortfall in income due to a decrease in the number of cremations following the opening of a crematorium in Stockton is expected to result in a pressure totalling £200,000. In addition, an overspend of £60,000 is currently predicted against the Integrated Transport Unit. This could increase or decrease once the service demand for the forthcoming school year has been ascertained.
21. The Environment Services budget is currently showing an anticipated pressure totalling £591,000. This is mainly as a result of the need to secure an alternative contractor to process kerbside recycling material following the previous contractor entering into administration. Currently, the increased cost is predicted to be £577,000 in this financial year, but this may change following the tender process for a new contractor, which is planned to be completed by the end of October 2021. The final pressure at year-end will be funded from the Central Pay and Prices Contingency budget.

Public Health

22. There are projected savings on Public Health budgets totalling £459,000, with £255,000 of the projected savings being due to reduced activity for some demand led services, such as Stop Smoking, NHS Healthcheck programme, rehabilitation, and prescribing costs as a result of Covid-19, and the remainder being due to staff and supplies and services savings.

Children's Care

23. The external residential agency placements budget is projected to be £1,642,000 (17%) overspent at year-end. The number of external residential placements has reduced to 57 at the end of Quarter One from 65 at the end of 2020/21, due to initiatives such as the Innovate Team, the Futures for Families Programme, and Daniel Court, which is currently fully occupied. Also in the summer Rosecroft (which can hold up to 5 young people) will re-open which could potentially further improve the position. Phase 2 of the Innovate programme has started, but it will take time to fully progress the placement moves of the complex young people and achieve further financial savings.
24. The above has however been partly offset by projected additional income from the Clinical Commissioning Group (CCG) of £152,000 (12%) above the budget for the

contribution from health towards the increased cost of placements due to the complex needs of the young people.

25. The in-house fostering services budget is currently projected to be £967,000 (33%) overspent at year-end. There has been an increased number of placements/cases by 4 in Quarter One 2021/22 (from 164 to 168). 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 further increase capacity over the next few years.
26. The Independent Fostering Agency (IFA) placements budget is projected to be £1,163,000 (22%) overspent at year-end. The number of placements / cases has reduced to be currently at 160, but this is still significantly above the budget. 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 in-house fostering provision, the Independent Fostering Agency budget pressure would have increased significantly more than it has.
27. Demand on the Family and Friends Allowances budget continues to grow and this budget is currently projected to have a significant overspend of £1,132,000 (49%) in 2021/22. The demand on this budget will 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.
28. There is a predicted overspend of £1,375,000 (24%) on the Safeguarding, Care Planning and Referral and Assessment teams budget. Despite charging some costs to Covid-19, the projected overspend is mainly due to staff agency costs in 2021/22 to cover sickness and vacant posts. It 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 long term finances of the Council.
29. There is a projected overspend of £359,000 (53%) on the Review and Development budget, 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.
30. Children Looked After teams are projecting a £432,000 (18%) overspend at year end. Similar to Safeguarding, Care Planning and Referral and Assessment teams budget, this is mainly due to agency staffing costs to fill vacancies and cover absences, and to support the Ofsted Improvement Plan. As stated in paragraph 28 the reliance on agency staff, is a significant risk to the Council in the medium to longer term.
31. The Internal Residential Services budget is projecting an overspend of £178,000 (6%) at year-end, due to increased staffing costs required to staff the Fir Tree extension for a complex young person. This will avoid a significant external residential cost for this young person.

32. It should be noted that the pressures reported on the Directorate's management budgets in previous years have now been removed following senior staff moving from agency contracts to permanent contracts.

Adult Social Care and Health Integration

33. There are projected staff savings across the Service totalling £317,000 mainly due to staff turnover and delayed recruitment to vacancies.
34. Quarter One of 2021/22 has seen a net growth in purchased care (mainly residential care) of £484,000, with further growth of £543,000 forecast to the year-end. It should be noted that this forecast could vary significantly as Covid-19 restrictions ease and overdue reviews of care packages are undertaken during the remainder of the financial year. This pressure is offset by a corresponding increase in service user's contributions to care of £536,000 in excess of budgeted income. Other projected savings of £200,000, including additional health income and reductions in the cost of some care packages, are predicted to reduce the total overall pressure on the purchasing budget to £291,000.
35. In addition, there are a number of budget areas within Adult Social Care which have variances below £150,000, including an increase to the Service's bad debt provision of £50,000, and these account for the overall £15,000 total projected overspend on the Adult Social Care budget.

Legal and Governance Services

36. An overspend of £151,000 is expected against the budget for Middlesbrough's contribution to the Coroner's Service. This is due to a rise in the number of cases, and also an increase in pathology and post-mortem costs.

Finance

37. Continued successful lettings at Tees Advanced Manufacturing Park (TAMP) during Quarter One resulted in unbudgeted net additional revenue income of £339,000. As noted in paragraph 19 this is now to be reported under the Commercial Rents income budget which, following the inclusion of the additional income from TAMP, is projecting an overall pressure of £39,000 at year-end.
38. There is additional unbudgeted income of £300,000 estimated to be received by year-end due to rental income from the recent purchase of the Captain Cook Shopping Centre.
39. The Revenues and Benefits budget is projected to be underspent by £380,000 at year-end, due mainly to an increase in unbudgeted new burdens grant funding from the Government for additional work arising from the distribution of Covid-19 grants to business and individuals.

Central Budgets

40. As part of the budget for 2021/22 approved by Council on 24 February 2021 a central contingency budget of £3m was created in 2021/22 only, to provide for the potential continuing effect of Covid-19 and recovery in 2021/22 above the funding provided by

the Government. Pressures have been reported against individual Directorates and within the Covid-19 costs, and therefore the £3m is reported as a projected saving in Central Budgets.

41. The central contingency budget for Pay and Prices is projected to underspend by £931,000 at year-end based on the current expected calls on the budget during 2021/22. It should be noted that currently no saving has been assumed for the estimated cost of the staff pay award in 2021/22, for which 2% (equating to £1.8m) has been provided in 2021/22, where negotiations between employers and the trade unions are continuing.
42. The Capital financing budget is currently projected to be underspent by £120,000 at year-end, due to expected delays on projects and reduced interest rates. This budget will be closely monitored during the remainder of 2021/22 and updates will be provided in future reports.
43. There is predicted rental income of £351,000 above the budget for Centre Square Buildings 1 and 2 following the successful lettings of these buildings. However, there are non-rent pressures of £64,000 predicted in 2021/22 relating to business rates and service charges for Centre Square Buildings 1 and 2, which the Council will have to incur in 2021/22 whilst tenants are not in place. The total net excess rental income on Centre Square Buildings 1 and 2 is therefore currently projected to be £287,000 in 2021/22, based on confirmed tenants for the buildings. Tenants who have signed contracts but have not yet occupied the buildings will do so throughout the remainder of the financial year following fit out of the buildings.
44. There is a potential £183,000 saving on the remaining £322,000 ongoing contingency pressures budget in 2021/22, due to Legal Services not requiring all the available funding in 2021/22 allocated for increased childcare cases demand. This budget will be fully utilised in 2022/23.

Covid-19

45. As reported during 2020/21 in the quarterly budget monitoring and year-end reports and the Medium Term Financial Plan Update and Budget reports to Executive and Council, the Covid-19 pandemic has had and will continue to have a significant impact on the financial position of all local authorities, including Middlesbrough. The ongoing pandemic continues to pose a number of challenges and uncertainties for local authorities going forwards. Whilst the service and financial risk is not fully known and it could be potentially be severe for the country and local government sector, the Council is well prepared for these risks as part of its financial planning over the medium term.
46. The paragraphs below provide an update of the position as at Quarter One 2021/22 detailing the current estimated costs of Covid-19 and the grant funding provided by the Government in 2021/22. Paragraph 71 summarises the overall projected financial position for 2021/22, along with a breakdown of the funding split between the Government grant funding and the Council. It should be noted that this is a constantly changing position and therefore estimates are subject to change, and are dependent on any potential further outbreaks and the impact of any potential further local and/or national lockdowns which currently are not expected to occur but will further increase the Covid-19 costs if they occur.

Government funding

47. 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.
48. The Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22 report to Council on 24 February 2021 detailed the funding likely to be available to Middlesbrough in 2021/22 relating to the Covid-19 pandemic. This is summarised below:
 - Covid-19 Expenditure Pressure Grant, which provides general support funding totalling £5.310m for 2021/22.
 - Sales, fees and charges (SFC) – the SFC compensation scheme for lost income is to be continued for the first three months of 2021/22, using 2020/21 budgeted income as the baseline. It is currently estimated that Middlesbrough will receive funding of approximately £733,000 in 2021/22 from the scheme. It should be noted that the SFC scheme does not cover commercial income lost from investment activities and rental income.
 - A further allocation of Contain Outbreak Management Fund (COMF) funding of £1.370m in 2021/22 to provide funding to local authorities to support public health activities, such as local enforcement and contact tracing.
 - Local Tax Income Guarantee – the Government also confirmed that Government funding would be provided to compensate councils for an element of the Collection Fund deficit, based on a methodology which was provided to councils that 75% of any losses below a pre-determined level would be funded. However, due to improved collection rates later in 2020/21, under the method of the calculation Middlesbrough Council will not qualify for any compensation funding from this in 2021/22.
 - Local Council Tax Support Grant – The allocation for Middlesbrough is £2.592 million in 2021/22. In the Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22 report to Council on 24 February 2021 it was approved that this funding would be used over the MTFP period to mitigate pressures on the council tax base.

Costs

49. It is currently estimated that there will be approximately £4.9m of additional costs associated with Covid-19 in 2021/22 and these cover a wide range of areas and services. It should be noted that this is a constantly changing position and therefore estimates are subject to change, and are dependent on any potential further outbreaks and the impact of any potential further local and/or national lockdowns which currently are not expected to occur but will further increase the Covid-19 costs if they occur.
50. Adult Social Care – there are total projected additional costs of approximately £0.3m, mainly due to the additional staffing that is required in Social Care to deal with the effects of the Covid-19 recovery on services provided.

51. Children's Social Care Costs – there are currently estimated to be approximately £2m of total additional costs within Children's Social Care, mainly due to delays in placements of children (approximately £0.2m) and increased staffing and agency staffing costs (approximately £1.6m) 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 be updated in future reports.
52. Other expenditure relating to Children's Services is predicted, in particular around Legal Childcare case backlogs (estimated to be £0.03m) and costs within Education & Partnerships (estimated to total £0.4m) which mainly relate to additional Education Psychologists that are required to provide additional capacity for mental health support to young people and various additional costs relating to early years support.
53. Public Health – there are additional costs of £0.25m predicted relating to an enhanced Healthy Child Programme.
54. Environment and Community Services – there are projected total additional costs estimated to be approximately £0.3m for a wide range of areas, including estimated increased costs of £0.1m relating to increased costs of waste collection and disposal due to increased tonnages of waste.
55. Direct Covid-19 Costs - a number of direct costs associated with the current situation are predicted in 2021/22, such as the procurement of various expenditure within marketing and communications relating to additional signage and leaflets in order to provide messages to the public relating to the Covid-19 pandemic (currently estimated to be £0.07m), and other costs relating to the storage of Personal Protective Equipment (PPE).
56. Other Covid-19 costs –Additional staff costs of approximately £0.12m are estimated within Legal Services due to the need to recruit agency staff to help with backlogs in cases and difficulties in recruiting permanent staff caused by the Covid-19 pandemic. Additional staff costs of approximately £0.11m are predicted within HR for additional counselling and Health and Wellbeing services for staff following the Covid-19 pandemic. There is also additional IT expenditure for additional equipment and licences, currently estimated to be approximately £0.065m.
57. SLM Leisure Trust – As detailed in 2020/21 in previous quarterly and year-end reports, significant payments have been made to SLM, the Council's provider of leisure facilities. Following the reopening of leisure facilities SLM have not been able to operate to their normal subsidy, with the effects of a restricted operation following the end of lockdown restrictions and the post Covid-19 recovery period impacting on their current levels of income. It is currently estimated that payments to SLM will total approximately £1m in 2021/22. The Department of Culture, Media and Sport (DCMS) announced the "National Leisure Recovery Fund" to which the Council were awarded a grant of £305,542. £164,473 of the grant was utilised in 2020/21 and therefore £141,069 of grant is remaining for use in 2021/22 to offset any payments to be made to SLM, meaning that currently there is predicted to be a net pressure of approximately £859,000 in 2021/22. Detailed discussions are currently taking place with SLM in order to reduce as far as possible the financial pressure to the Council in

2021/22 and any potential pressures in future years, and updates will be provided in future reports regarding this.

Reduction in income

58. The impact of the lockdown and closure of facilities and services and the recovery period following the end of restrictions has resulted in for the first quarter of 2021/22 and will result in for the rest of 2021/22, a loss of income across a broad range of areas. The following list shows the main areas and the estimated loss for each main area in 2021/22:
- Car Parking (£1.1m)
 - Cultural activities (Town Hall, Middlesbrough Theatre, Museums, Newham Grange Country Park, Parks) (£0.5m)
 - Catering income from schools (£0.1m)
 - Adult Social Care - In house day centre care provision (£0.5m)
 - Libraries and Community Hubs – room hire, book sales, and fines (£0.1m)
 - Education Services income from schools (£0.2m)
 - Council run Nurseries (£0.2m)
 - Commercial Rents – business units, industrial estates, shops and bus station (£0.1m)
 - Capital Finance – Rent and Interest (£0.2m)
59. 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 approximately £3.1m in 2021/22.
60. As mentioned in paragraph 48 it is currently estimated that the Council will receive approximately £0.7m from the SFC scheme in 2021/22.

Unachievable savings

61. It has not been possible to fully achieve a budget saving of £313,000 relating to a review of cleaning, caretaking, security and facilities management (ECS02), due to the inability to reduce cleaning hours and standards and additional cleaning required because of Covid-19. It is currently projected that £82,000 of the saving is at risk of not being achieved, and it is proposed that this be charged to Covid-19 costs in 2021/22.

Council Tax and Business Rates Income

62. 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 Medium Term Financial Plan (MTFP) at the appropriate time.
63. During 2020/21, there were a number of issues, which resulted in significant pressures on Council Tax and Business Rates income. 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 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, 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 final outturn positions for Council Tax and Business Rates were much improved from the statutory amounts incorporated into the budget setting in February 2021 by approximately £0.4m per year over the 3-year spread period to 2023/24. The improved amounts will be incorporated into the next refresh of the Council's Medium Term Financial Plan.

64. As mentioned in paragraph 48 Government funding was provided to compensate councils for an element of the 2020/21 deficit, based on a methodology which was provided to councils that 75% of any losses below a pre-determined level would be funded. However, due to improved collection rates later in 2020/21, under the method of the calculation Middlesbrough Council will not qualify for any compensation funding from this in 2021/22.
65. Whilst full complete information is not yet available this financial year it is already clear that there are a number of issues which may result in pressures continuing on Council Tax and Business Rates income during 2021/22 and potentially in future years.
66. The phasing out of the furloughing scheme from the start of July 2021 and the expected ending at the end of September 2021 may mean that there are a number of residents who will struggle to pay their Council Tax bills in the future. This may mean that there will be 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. This will be closely monitored through 2021/22.
67. Our budgeted Council Tax base includes assumptions on housing growth. If there is reduced growth in housing numbers, this will impact on income levels.
68. The Government provided support for businesses through increased business rates reliefs and grants in 2020/21. These largely remained in place during the first quarter of 2021/22 but will reduce throughout the remainder of 2021/22. Following the reduction in the level of this support, businesses may struggle to pay their business rates, and therefore there is a risk that Business Rates revenue reduces if businesses fail or are unable to pay.
69. 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.
70. The position relating to Council Tax and Business Rates income for 2021/22 and the effects on the Collection Fund are being closely monitored, and updates will be provided in future budget monitoring reports.

Summary of Covid-19 Financial Pressures

71. The projected financial impact of the Covid-19 pandemic in 2021/22, based on experience in the first three 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 paragraph 48:

<u>see also note on Other Covid Grants below</u>			
	<u>Grant Allocation 21/22</u>	<u>Projected 21/22</u>	<u>Projected Council Cost</u>
	<u>£m</u>	<u>£m</u>	<u>21/22</u>
Extraordinary costs incurred		4.948	
Commercial income losses		0.080	
Non-SFC income losses		0.175	
Unachievable Change Programme savings		0.082	
Total Covid-19 Main grant (2021/22)	5.310	5.285	-0.025
Sales, Fees and Charges (SFC) income loss grant (2021/22) (note only receive grant for 1st quarter of 2021/22)	0.733	2.794	2.061
DRAFT PROJECTED NET COST OF COVID TO COUNCIL 2021/22			2.036

<u>NOTE - Other COVID grants</u>			
	<u>Grant Allocation</u>	<u>Projected 21/22</u>	<u>Projected Grant Remaining</u>
	<u>£m</u>	<u>£m</u>	<u>21/22</u>
Clinically Extremely Vulnerable (CEV) - see Note 1	0.198	0.198	0.000
Test And Trace - see Note 2	0.341	0.341	0.000
Contain Outbreak Management Fund (COMF)	1.370	1.370	0.000
Total Other Covid Grants	1.909	1.909	0.000
<u>NOTE 1</u>			
For CEV Grant - no new allocation in 2021/22, but £198k of remaining grant from 2020/21 was carried forward for use in 2021/22.			
<u>NOTE 2</u>			
For Test & Trace - no new allocation for 2021/22 but £687k of remaining grant from 2020/21 was carried forward for use in 2021/22 (£341k) and 2022/23 (£346k) .			

72. 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. It should also be noted that this is a constantly changing position and therefore estimates are subject to change, and are dependent on any potential further outbreaks and the impact of any potential further local and/or national lockdowns which currently are not expected to occur but will further increase the Covid-19 costs if they occur.
73. The above table indicates that there will be a potential financial pressure due to Covid-19 of £2.036m in 2021/22. It is intended that this pressure will be funded from the Covid Recovery Reserve of £4.512m set aside for this.

Revenue budget spending controls

74. As previously reported, a number of controls were implemented from 2019/20 to minimise overspending across the Council in-year and these remain in place for 2021/22, 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.
75. 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. The use of additional recruitment and retention packages to support the reduction of use of agency staff in future years. Monthly reports on agency costs are reported to senior managers for consideration.
76. A number of plans have been put in place for 2021/22 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.
 - Development of Stronger Families teams within Early Help and Prevention to increase skills to support additional work and complexity at this level to prevent future young people entering care.
 - Development of the Middlesbrough Multi Agency Children's Hub to secure the consistency of thresholds and increasing step-downs to early help and more timely support for children and young people.
 - Utilising two specialist project teams to support referral and assessments at the front door of Children's Care.
 - Continuing to keep internal residential places at a high occupancy level. Re-opening Rosecroft in late summer, once registered, will produce a further 5 places. Plans to increase Fir Tree by 1 place later in 2021/22. Other Internal Residential opportunities are to be reviewed as invest to save models when identified and assessed. Potential sale of any spare places that are not occupied with Middlesbrough young people to neighbouring Tees Valley Local Authorities.
 - 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 increasing the number of internal foster placements achieved over the past 2 years, 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.

- Maximising, where appropriate, health contributions from Clinical Commissioning Group (CCG) and education contributions from the Dedicated Schools Grant.
77. While the mitigations above will be progressed, the experience in 2020/21 suggests that whilst efficiencies may 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.
 78. 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 position is 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.
 79. As mentioned in the budget report to Council of 24 February 2021 the Council has set aside approximately £1.6m of Council funding for 2021/22, to support the Ofsted improvement plan. This will be combined with £188,000 of unspent funding carried forward from 2020/21, and funding from a separate Childrens Services Improvement Reserve of £175,000 created at the end of 2020/21 to further improve Childrens Services. A further progress against the plan is being monitored by the Multi Agency Strategic Improvement Board, and any variances from the budgets contained in the Ofsted improvement plan will be detailed in future budget monitoring reports.

Capital budget Quarter One Outturn 2021/22

80. As part of the Revenue and Capital Budget – Year End Outturn Position report of 15 June 2021, Executive approved a revised capital budget for 2021/22 of £93,716,000. Following a further review and the inclusion of new additional schemes, increases to existing schemes, and reductions to existing schemes (as detailed in paragraphs 82 to 84), it is currently predicted at Quarter One that the Council will spend £82,029,000 in 2021/22 at year-end.
81. The revised Investment Strategy to 2023/24 is included at Appendix 2 for information. 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.
82. One scheme is proposed to be removed from the Investment Strategy, with the funding being redirected to an alternative scheme. Details of the scheme are as follows:
 - Parklands Intermediate Care Centre – The building has been assessed and requires extensive works in order to bring it to a suitable standard. The works will cost significantly more than the available budget of £254,000 and therefore

the funding will be redirected to a more cost effective solution (see paragraph 83 for further details of the replacement scheme).

83. It was proposed to add the following five schemes above £150,000, to the revised Investment Strategy, as set out at Appendix 2 and approved by Executive on 7 September 2021:

- The Council has successfully bid for £1,091,161 of funds from the Department for Business, Energy and Industrial Strategy (BEIS) Local Authority Delivery 2 Green Homes Grant. The grant, mainly aimed at home owners in fuel poverty will provide funds of up to £10,000 per property to enable works such as new energy efficient windows and both external wall and loft insulation. There is some scope for landlords to benefit from the grant with a maximum of £5,000 available per property, of which the landlord must contribute a third of the costs.
- On 16 March 2021, Executive approved £250,000 of funds for improvements to Teessaurus Park. The improvements include enhanced lighting throughout the park to illuminate the dinosaur sculptures, improved footpaths, a children's zip wire and embankment slide, accessible children's play equipment for children with disabilities, motion and sound sensors to make dinosaur sounds, large outdoor fixed dinosaur themed jigsaw puzzles, large dinosaur footprints, improved signage including educational information on each dinosaur, refreshment facilities and CCTV.
- On 13 July 2021, Executive approved £200,000 of funding for the delivery of the strategic priority "Installation of a town wide lighting scheme, highlighting key buildings and landmarks to improve the physical appearance of the town".
- A bungalow at Park End Primary School will be converted to a multi-purpose school resource area. The total cost of £197,000 will be funded by the school but the delivery of the scheme will be managed by the Council.
- As a replacement for the Parklands Intermediate Care Centre scheme (as mentioned in paragraph 82 above) £254,000 of funds have been allocated for the conversion of a unit within the town centre bus station into a contact centre for Children's Care.

84. The following additions to schemes in the current Investment Strategy which have been recently approved by Executive are also to be included in the revised Investment Strategy, as set out at Appendix 2:

- Middlesbrough Development Company – On 1 September 2020, Executive approved borrowing of up to £24,000,000 for the construction of an apartment development on the former CSI site in the town centre and the Boho village development at Middlehaven, subject to further sign off from the Council's Section 151 Officer. The apartment development on the former CSI site is expected to cost a total of £17,000,000. The Director of Finance (Section 151 Officer) has approved a loan of £9,500,000 to Middlesbrough Development Company. In order for the scheme to progress the remaining £7,500,000 is required as match funding, £2,500,000 of which is allocated

from the Town's Fund grant, subject to sign off from the Towns Fund Board. A bid to Homes England will be submitted for the remaining £5,000,000. The Boho village development has previously been approved and funded within the Investment Strategy.

- Middlesbrough Development Company – In addition to the Council investment stated above, on 15 June 2021 Homes England provided official confirmation that the Council has been awarded a grant of £936,000 in relation to the Tollesby Shops scheme. The grant is specifically awarded for the provision of affordable housing on the site.
- Highways Infrastructure Development Section 106 – £280,000 of Section 106 contributions received from housing developers have been added to the Investment Strategy.
- On 21 April 2021 the Department for Education announced the 2021/22 allocations for School Conditions Allocations (SCA) and Devolved Formula Capital (DFC). Middlesbrough Council will receive a total of £768,813, of which £654,174 is SCA and £114,639 DFC.
- On 4 May 2021, the Ministry for Housing, Communities and Local Government (MHCLG) announced that the Department of Health and Social Care had confirmed a national allocation of £578,000,000 for Disabled Facilities Grants. Middlesbrough Council will receive £2,268,123, which is £269,000 more than had been previously assumed with the Investment Strategy, and this has therefore been added as part of this refresh.

85. There were no schemes within the current investment strategy that were reduced by over £150,000.
86. 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 fourteen 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	2021/22 Investment Strategy Budget (as per 20/21 outturn report to £'000	2021/22 Projected Investment Strategy Outturn £'000	2021/22 Projected Investment Strategy Outturn Variance £'000	MEMO	
				New, increased & reduced Schemes / transfers £'000	Real outturn variance excluding new, increased, & reduced schemes / transfers £'000
Regeneration and Culture	55,731	46,145	(9,586)	1,341	(10,927)
Environment and Community Services	11,533	11,823	290	200	90
Public Health	756	0	(756)	0	(756)
Education & Partnerships	13,049	12,224	(825)	801	(1,626)
Children's Care	699	690	(9)	(17)	8
Adult Social Care and Health Integration	4,227	3,621	(606)	269	(875)
Legal and Governance Services	3,685	3,685	0	0	0
Finance	4,036	3,841	(195)	0	(195)
Total	93,716	82,029	(11,687)	2,594	(14,281)

Regeneration and Culture

87. Middlesbrough Development Company - The Development Company has assessed its funding requirements for construction works at the Bright Ideas and Tollesby Shops projects. As a consequence £3,500,000 of planned loans to the company have been re-profiled into 2022/23 and future years. This is on the assumption that the actual construction works for the apartments at the former CSI site will not commence within this financial year.
88. Boho X – Due to rising projected costs, after working with the preferred bidder the Council took the decision to re-tender for the project. The tender process has caused delays with respect to the commencement of construction, resulting in £2,689,000 of anticipated costs being transferred into 2022/23. The project timetable has been reviewed and whilst the start is delayed, there will be no impact on the delivery, with completion still anticipated to be December 2022.
89. Brownfield Housing Fund - £1,882,000 of planned grant expenditure has been redirected into 2022/23 and future years, this is primarily due to a change in delivery partner at one of the sites, a delay at the former Jap Euro site due to nesting birds, and the need for the housing element of works at the Bright Ideas site to be undertaken before the highways element can commence.
90. Housing Growth – A total of £961,000 of anticipated expenditure has been re-profiled into 2022/23. The majority of the re-profiling is with regard to the following two sites
 - Nunthorpe Grange – The Council is in negotiations with the Housing Developers to agree a single point of access to the site and to share the construction costs of the roundabout and access road. An agreement has been reached in principle but discussions are continuing regarding the share of the costs. It is anticipated that works will commence this financial year but will not conclude until 2022/23, resulting in the need to transfer £713,000 of funds.
 - Stainton Way Western Extension – On 28 June 2021 Executive deferred the decision to approve the adoption of the Stainsby Country Park and Masterplan

as it is unconvinced about the need for the spine road. £200,000 of funds were expected to be expended in 2021/22, this has been transferred into 2022/23 and is available should it be decided that the spine road is required.

91. Future High Streets Fund – On 4 June 2021, the Council received confirmation from MHCLG of the £14,170,000 Future High Street Funds grant. £8,170,000 has been confirmed as available for this financial year with the remaining £6,000,000 being provided in 2022/23, subject to the Governments spending review in autumn. In order to ensure spending does not exceed the year 1 allocation, a review has been undertaken to ascertain which schemes can progress. This has resulted in £500,000 of assumed grant expenditure being re-profiled into 2022/23. MHCLG have however indicated that there may be a national under programming of the grant in year 1, and officers are exploring with MHCLG whether grant programmed for year 2 can therefore be brought forward for delivery of schemes in 2021/22.
92. Town Centre Accommodation Strategy – Delays have been encountered due to post purchase surveys, resulting in re-profiling of £500,000 into 2022/23. The Council has started an early commission with architects and it's appointed contractor to carry out an overview of costs and the programme. A contract should be available for signature in December 2021 with building works and the internal fit out programme expected to conclude in July 2022.
93. Local Transport Plan – Due to the change in Executive, the Transport and Infrastructure Capital Programme report was not approved by the Executive Member of Regeneration until 13 July 2021. The delay in approval has resulted in a number of relatively small scale delays within the whole Local Transport Plan (LTP) programme which has resulted in the need to transfer £298,000 of planned expenditure into 2022/23.
94. City Centre Public Realm – £200,000 of funds have been re-profiled into 2022/23 as the detailed programme of works is still to be determined.
95. Replacement of Pay and Display Parking Meters – This scheme was originally linked to a pay on exit proposal at Zetland car park. However, the financial analysis concluded that the costs of the proposal outweighed the benefits. A number of parking meters still require replacing and are being prioritised. It is not envisaged that the funds will be required this financial year and have therefore been transferred into 2022/23.

Adult Social Care and Health Integration

96. Disabled Facilities Grant – The impact of Covid-19 continues to restrict capacity available within the building sector, resulting in a projected £999,000 of works being deferred until 2022/23.

Education and Partnerships

97. Schemes in Special Schools – The distribution heating pipework replacement scheme at Priory Woods is now not expected to conclude until the summer of 2022, and £165,000 of funds have been transferred into 2022/23 accordingly.

98. Contribution To New School At Middlehaven - The funds are a contribution to abnormal and remediation costs on the site, which will be required when the contract for the physical works is signed. This is now envisaged to be in the summer of 2022, and £1,700,000 has been transferred to 2022/23 accordingly.

Public Health and Public Protection

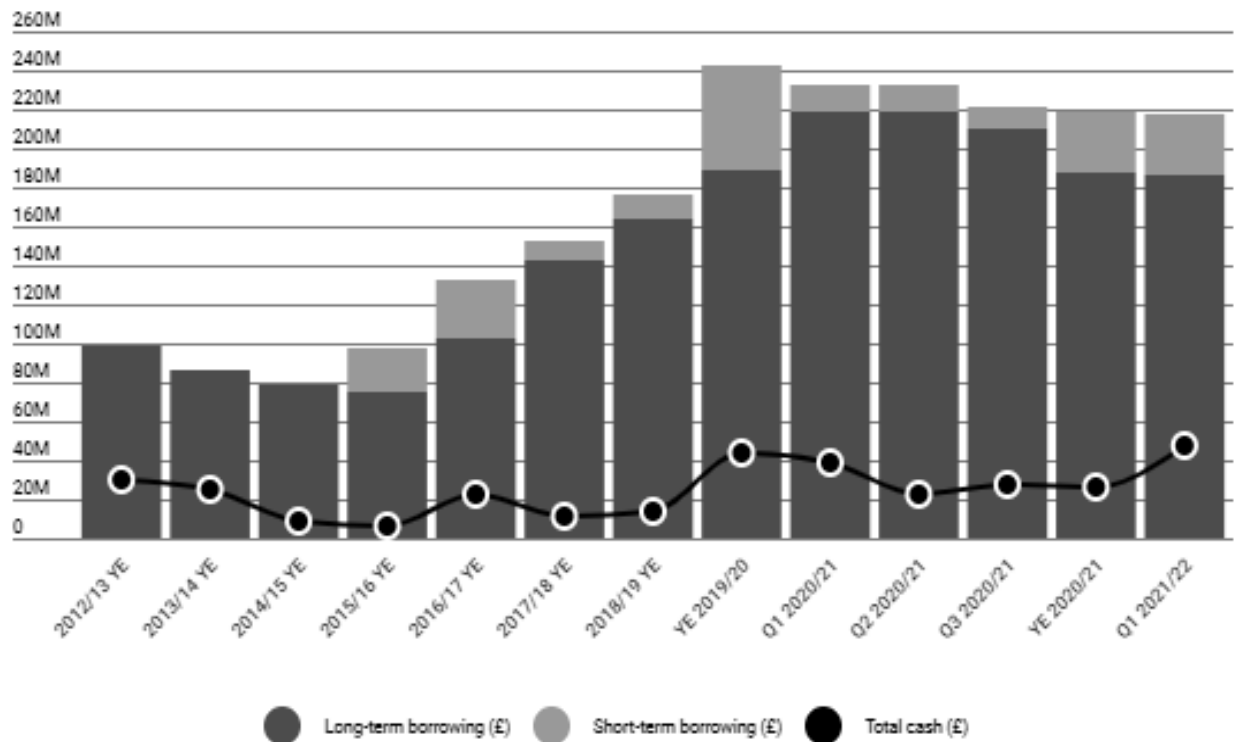
99. Health and Wellbeing Hub – As part of the wider accommodation strategy the Council has deferred the decision to expand the Live Well Centre. Should the expansion go ahead it would not do so within this financial year, resulting in £756,000 being re-profiled into 2022/23.

Finance

100. Former Partnership Investment (ICT Infrastructure Revenues & Benefits) – Due to demands placed on the service throughout Covid-19, planned activities were suspended as service priorities were re-assigned to the administration of grants. As such, capital improvements and planned expenditure of £195,000 have been deferred until 2022/23.

Borrowing and prudential indicators

101. The Council's total borrowing decreased from £218.8m at 31st March 2021 to £217.8m at 30 June 2021. This decrease of £1.0m reflects the repayment of principal amounts on existing annuity loans held by the Council. No external borrowing was required for the Investment Strategy or cash flow purposes during the quarter. This is due to cash balances being healthy with residual Covid-19 funding being used plus other reserve balances yet to be spent during the financial year. In addition, there is always an element of cash received in advance of need for normal revenue and capital purposes in the first quarter of each year and therefore borrowing needs tend to be low.
102. The ratio of short-term to long-term borrowing has stayed broadly the same during the quarter given the lack of borrowing activity undertaken. There are £10m of short-term loans due to be repaid on 31 July 2021 plus some other loan maturities later in the year, which will eliminate most of this short-term element from the debt portfolio.



103. 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 annual 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.
104. The table below gives a summary comparison of the budget against the actual position as at Quarter One 2021/22 on each of the prudential indicators adopted by the Council.

<u>Prudential Indicators - 2021/22 Quarter 1</u>		
	<u>Budget</u> <u>(£M)</u>	<u>Actual</u> <u>(£M)</u>
Capital Expenditure	93.716	82.029
<u>Financing</u>		
External Sources	57.114	51.648
Own Resources	12.103	15.598
Debt	24.499	14.783
Capital Financing Requirement	255.164	255.758
External Debt	248.100	217.818
Investments	15.000	47.567
Capital Financing	9.518	9.398
Cost as a % of Revenue Budget	8.2%	8.1%

105. The total capital spend & level of financing has reduced by £11.7m since the original budget was set for 2021/22. This is explained in more detail in the Investment Strategy section of the report but essentially reflects reprofiling of scheme requirements to later years due to the ongoing impact of the pandemic, changing needs on individual schemes and low contractor availability. The reduction is a mix of borrowing and grant funding being deferred into future years.
106. The Council's total under borrowed position (external debt compared to the capital-financing requirement – or underlying need to borrow) is £37.9m at 30th June 2021. As cash balances reduce during the remainder of the financial year, with Covid-19 amounts and reserves planned to be spent, plus the borrowing requirements within the Investment Strategy. Around £30m of this under borrowing will be required to ensure the Council has enough liquidity to meet its cash commitments.
107. The amount of external debt at £217.8m and the total underlying need to borrow of £255.8m are both well below the Council's authorised limit of £320m. This is the threshold above which any borrowing would be illegal. The cost of capital financing to the Council is slightly lower than set as part of the budget process as interest rates continue to remain at low levels. The levels of borrowing continue to be in line with the original budget assumptions.

Reserves and Provisions

108. The table below sets out a summary of the balance of reserves and provisions at the start of 2021/22 and the projection as at year-end and further detail is provided in Appendix 3. The projected year-end balance assumes the use of Reserves (as detailed in paragraphs 9 and 110) to cover the projected total 2021/22 revenue budget overspend.

Reserves and Provisions	Opening Balance £000's	Proposed Use in Year £000's	Additional Contributions £000's	Transfers between reserves £000's	Transfers from General Fund £000's	Proposed Transfers to fund projected outturn £000's	Projected Balance at Year End £000's
General Fund Reserve	10,500	0	695	0	0	0	11,195
Covid Recovery Reserve	4,512	0	0	0	0	(2,521)	1,991
Earmarked Reserves	28,970	(11,463)	230	0	0	(1,232)	16,505
Earmarked Reserve - Dedicated Schools Grant (DSG)	(3,291)	0	0	0	0	0	(3,291)
School balances	4,864	0	0	0	0	0	4,864
Provisions	2,555	0	0	0	0	0	2,555
TOTAL	48,110	(11,463)	925	0	0	(3,753)	33,819

What decisions are being asked for?

109. That OSB notes the 2021/22 revenue budget Quarter One total projected outturn of £3.753m, representing a £1.717m (1.5%) overspend on non-Covid-19 elements, and the estimated financial effect of Covid-19 in 2021/22 of £2.036m, and the proposed actions to address this.
110. That OSB notes the proposed use of the following Reserves to fund the total projected overspend of £3.753m in 2021/22 :
- Social Care Demand Reserve (£0.5m)
 - Children's Services Demand Reserve (£0.732m)
 - Covid Recovery Reserve (£2.521m)
111. That OSB notes the proposed revenue budget virements over £150,000 (Appendix 1).
112. That OSB notes the 2021/22 capital budget Quarter One predicted outturn of £82.029m against a budget of £93.716m, and the proposed revised Investment Strategy to 2023/24 at Appendix 2.

Why is this being recommended?

113. 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

114. Not applicable.

Impact(s) of recommended decision(s)

Legal

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

Financial

116. The Council's revenue outturn position for 2021/22 for non-Covid-19 elements is projected to be an overspend of £1.717m (1.5%). This, when added to the estimated Covid-19 pressures of £2.036m, detailed in paragraphs 45 to 73 results in a total projected outturn pressure at year end 2021/22 of £3.753m. It is proposed that the total projected overspend in 2021/22 will be covered by the full utilisation of the Social Care Demand Reserve of £0.5m and the Children's Services Demand Reserve of £0.732m, which were created at the end of 2020/21. It is proposed that the remaining £2.521m of the total projected outturn pressure is funded from the £4.512m Covid Recovery Reserve, which was created during 2020/21 to cover the potential costs arising from the Covid-19 recovery in 2021/22 and future years.
117. The predicted 2021/22 capital budget outturn at Quarter One is £82.029m, and as approved by Executive on 7 September 2021 this will become the revised Investment Strategy budget.

Policy framework

118. The revenue and capital 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

119. As reported to Council on 24 February 2021, no negative differential impact on diverse groups and communities are anticipated from the Council's planned budgetary expenditure.

Risk

120. In line with the Council's Risk Management Policy, the corporate Strategic Risk Register will be reported to OSB as part of the Strategic Plan 2021-24 – Progress at Quarter One 2021/22 report.

Actions to be taken to implement the decision(s)

121. Mitigating activity set out in the main body of the report will continue to be applied by Directorates as stated.
122. The actions outlined within the body of the report in relation to overspending within Children's Services will continue to be implemented.
123. The virements detailed in Appendix 1 have been actioned in the Council's accounts following approval by Executive on 7 September 2021.

124. The revised Investment Strategy, as approved by Executive on 7 September 2021 and included at Appendix 2 has been adopted.

Appendices

1. Revenue budget virements over £150,000 at Quarter One 2021/22
2. Revised Investment Strategy to 2023/24
3. Detail of projected reserves and provisions as at Quarter One 2021/22

Background papers

24/02/21	Council	Strategic Plan 2021-24
24/02/21	Council	Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22

Contact: Andrew Humble, Head of Financial Planning & Support
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Appendix 1 : Virements over £150,000 at Quarter One 2021/22

<i>Proposed Virement Request</i>	Regeneration & Culture £000s	Environment & Community Services £000s	Public Health £000s	Education & Partnerships £000s	Children's Care £000s	Adult Social Care and Health Integration £000s	Legal & Governance Services £000s	Finance £000s	Central Budgets £000s
<u>Permanent</u>									
Digital - RPA (admin) Cross Cutting Saving split across Directorates (£717,000 total saving)	(29)	(154)	0	(25)	(251)	(144)	616	(13)	
Digital - Agile (Mileage) Cross Cutting Saving split across Directorates (£210,000 total saving)	(3)	(21)	0	(25)	(104)	(48)	206	(5)	
Mileage Rate Reduction Saving split across Directorates (£180,000 total saving)	(3)	(18)	0	(21)	(89)	(41)	177	(5)	
Due to managerial changes, transfer of Public Protection from Public Health to Adult Social Care			(569)			569			
Due to managerial changes, transfer of a number of Prevention services from Education & Partnerships to Children's Care				(2,016)	2,016				
Following a review, transfer back to Education & Partnerships from Children's Care of some Prevention services				188	(188)				
Transfer of Teesside Advanced Manufacturing Park (TAMP) budgets from Regeneration & Culture to Commercial Rents budget within Finance	406							(406)	
Total Virement	371	(193)	(569)	(1,899)	1,384	336	999	(429)	0
								Total:	(0)

Appendix 2: Revised Investment Strategy to 2023/24

	Total Funding Required					Council Funding	External Funding
	2020/21	2021/22	2022/23	2023/24	TOTAL		
Regeneration and Culture	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Town Centre Related Projects	592	1,872	836	204	3,504	2,625	879
Middlehaven Related Projects	139	65	500	-	704	704	-
Housing Growth	91	1,524	2,144	-	3,759	3,708	51
BOHO X	1,112	8,724	16,111	-	25,947	1,362	24,585
BOHO 8	2,428	34	-	-	2,462	-	2,462
Brownfield Housing Fund	-	3,320	3,972	630	7,922	-	7,922
Towns Fund	-	3,525	17,875	500	21,900	-	21,900
Future High Streets Fund	-	8,170	6,000	-	14,170	-	14,170
Acquisition of Town Centre Properties	9,619	6	1,000	-	10,625	10,625	-
Town Centre Accommodation Strategy	1,863	2,075	500	-	4,438	4,438	-
Middlesbrough Development Company	865	9,369	13,936	-	24,170	19,203	4,967
Teesside Advanced Manufacturing Park	1,533	855	-	-	2,388	2,005	383
Local Authority Delivery 2 Green Homes Grant	-	1,091	-	-	1,091	-	1,091
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	-	-	1,339	-	1,339	830	509
Highways Infrastructure Development Section 106	-	-	2,010	-	2,010	-	2,010
Stainton Way Dixon Bank Junction - Section 106	15	-	-	-	15	15	-
The Big Screen	-	20	-	-	20	20	-
A66 Throughabout	2,630	2	-	-	2,632	-	2,632
Mandale Interchange	397	62	-	-	459	-	459
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	16	-	-	795	795	-
North Ormesby Housing Joint Venture - Section 106 funded	66	355	-	-	421	-	421
Empty Homes 2015 To 2018	-	281	-	-	281	-	281
Local Transport Plan	900	1,561	298	-	2,759	-	2,759
Town Hall Venue Development	48	59	-	-	107	107	-
Cultural Transformation	-	8	13	-	21	21	-
Theatre Winches / Lifts	4	20	19	-	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	-	50	50	-	100	100	-
Teessaurus Park	-	250	-	-	250	250	-
					-		
Total Regeneration and Culture	24,960	46,145	67,407	1,904	140,416	50,025	90,391

	Total Funding Required					Council	External
	2020/21	2021/22	2022/23	2023/24	TOTAL	Funding	Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Environment and Community Services							
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 Section 106	57	-	-	-	57	-	57
Local Transport Plan - Highways Maintenance	1,412	3,447	-	-	4,859	-	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	729	829	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
Bridges & Structures (Non Local Transport Plan)	-	2,098	-	-	2,098	2,098	-
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	-
Lighting up the Town	-	200	-	-	200	200	-
Total Environment and Community Services	7,524	11,823	3,427	3,998	26,772	19,475	7,297
	Total Funding Required					Council	External
	2020/21	2021/22	2022/23	2023/24	TOTAL	Funding	Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Public Health							
Health & Wellbeing Hub	-	-	756	-	756	679	77
Total Public Health	-	-	756	-	756	679	77
	Total Funding Required					Council	External
	2020/21	2021/22	2022/23	2023/24	TOTAL	Funding	Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Education and Partnerships							
Block Budget (Grant) Devolved Formula Capital - Various Schools	-	157	-	-	157	-	157
Block Budget (Grant) Section 106 Avant Low Gill	-	35	-	-	35	-	35
Block Budget (Grant) School Condition Allocation	-	686	-	-	686	-	686
Block Budget (Grant) Basic Needs	-	5,883	1,645	-	7,528	-	7,528
Block Budget (Grant) High Needs Provision Capital Allocation (HNPCA)	-	1,060	-	-	1,060	-	1,060
Schemes in Maintained Primary Schools	2,387	1,505	176	-	4,068	835	3,233
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	606	171	-	1,321	430	891
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	12,224	4,299	400	21,016	1,965	19,051

	Total Funding Required					Council	External
	2020/21	2021/22	2022/23	2023/24	TOTAL	Funding	Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Children's Care							
Edge Of Care Project (Hub)	347	35	-	-	382	382	-
Edge Of Care Project (Spencerfield 117-120)	18	-	-	-	18	18	-
Edge Of Care Project (3 Broadwell)	10	-	-	-	10	10	-
Rosecroft Renovations	35	150	20	-	205	205	-
34 Marton Avenue, Fir Tree - Garage Conversion	1	249	25	-	275	275	-
Contact Centre - Bus Station Unit 1	3	234	17	-	254	254	-
Bathroom Refurbishment	-	22	-	-	22	22	-
Total Children's Care	414	690	62	-	1,166	1,166	-
	Total Funding Required					Council	External
	2020/21	2021/22	2022/23	2023/24	TOTAL	Funding	Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care and Health Integration							
Chronically Sick & Disabled Persons Act - All Schemes	533	832	610	610	2,585	2,513	72
Disabled Facilities Grant - All Schemes	2,285	2,419	999	-	5,703	816	4,887
Capitalisation of Staying Put Salaries	50	50	50	50	200	200	-
Home Loans Partnership (Formerly 5 Lamps)	29	54	-	-	83	-	83
Small Schemes	15	128	-	-	143	-	143
Connect / Telecare IP Digital Switchover	100	138	-	-	238	238	-
Total Adult Social Care and Health Integration	3,012	3,621	1,659	660	8,952	3,767	5,185
	Total Funding Required					Council	External
	2020/21	2021/22	2022/23	2023/24	TOTAL	Funding	Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Legal & Governance Services							
Desktop Strategy / Device Refresh	307	153	-	-	460	460	-
Enterprise Agreements	353	353	-	-	706	706	-
Customer Relationship Management	19	96	-	-	115	115	-
IT Refresh - Network Refresh	4	159	-	-	163	163	-
IT Refresh - Lights On	241	60	-	-	301	301	-
IT Refresh - LCS Development Capture	7	18	-	-	25	25	-
IT Refresh - Business Intelligence	-	3	-	-	3	3	-
ICT Essential Refresh & Licensing	233	2,447	2,185	2,185	7,050	7,050	-
ICT Innovation Budget	326	160	-	-	486	468	18
GIS Replacement	38	129	-	-	167	167	-
Civic Centre Device Refresh	8	-	-	-	8	8	-
Prevention & Partnership Tablets	-	70			70	70	-
HR Pay	-	37	-	-	37	37	-
Dashboards	60	-	-	-	60	60	-
Total Legal & Governance Services	1,596	3,685	2,185	2,185	9,651	9,633	18

	Total Funding Required						Council	External
	2020/21	2021/22	2022/23	2023/24	TOTAL		Funding	Funding
Finance	£'000	£'000	£'000	£'000	£'000		£'000	£'000
Former Partnership Investment (ICT Infrastructure Revenues & Benefits)	37	202	195	-	434		434	-
Business World Upgrade	30	35	-	-	65		65	-
Derisking Sites	412	104	1,042	900	2,458		2,458	-
Capitalisation of Property Finance Lease Arrangements	-	3,500	500	500	4,500		4,500	-
					-			
Total Finance	479	3,841	1,737	1,400	7,457		7,457	-
	Total Funding Required						Council	External
	2020/21	2021/22	2022/23	2023/24	TOTAL		Funding	Funding
ALL DIRECTORATES	£'000	£'000	£'000	£'000	£'000		£'000	£'000
Total ALL DIRECTORATES	42,078	82,029	81,532	10,547	216,186		94,167	122,019
	Total Funding						Council	External
	2020/21	2021/22	2022/23	2023/24	TOTAL		Funding	Funding
FUNDED BY:	£'000	£'000	£'000	£'000	£'000		£'000	£'000
Borrowing	18,228	11,283	26,852	1,573	57,936		57,936	-
Finance Leases	-	3,500	500	500	4,500		4,500	-
Capital Receipts	6,374	15,077	2,749	6,895	31,095		31,095	-
Grants	16,418	46,577	47,758	1,179	111,932		-	111,932
Contributions	1,052	5,071	3,564	400	10,087		-	10,087
Revenue Resources	6	521	109	-	636		636	-
Funding from Reserves	-	-	-	-	-		-	-
Total FUNDING	42,078	82,029	81,532	10,547	216,186		94,167	122,019

Appendix 3: Detail of projected reserves and provisions as at Quarter One 2021/22

Reserves and Provisions	Opening Balance	Proposed Use in Year	Additional Contributions	Transfers between reserves	Transfers from General Fund	Proposed Transfers to fund projected outturn	Projected Balance at Year End
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
General Fund Reserve	10,500		695				11,195
Covid Recovery Reserve	4,512					(2,521)	1,991
Earmarked for specific purposes							
Public Health Reserves	438						438
Adult Social Care Covid Recovery Reserve	1,598	(233)					1,365
Ofsted Support Reserve	188						188
Children's Services Improvement Reserve	175						175
Children's Services Demand Reserve	732					(732)	0
Social Care Demand Risk Reserve	500					(500)	0
Business Rates Deficit Reserve	10,555	(10,555)					0
Business Rates Risk Reserve	1,670						1,670
Business Rates Relief Reserve	49						49
Change Fund	445	(675)	230				(0)
Investment Fund	0						0
Insurance Fund (MBC)	270						270
CCC Insurance Fund	35						35
Insurance Fund (Fire)	0						0
Capital Refinancing Reserve	175						175
Other Reserves & Provisions	12,140						12,140
Earmarked Reserves	28,970	(11,463)	230	0	0	(1,232)	16,505
Earmarked Reserve - Dedicated Schools Grant (DSG) Reserve	(3,291)						(3,291)
School balances	4,864						4,864
Provisions	2,555					0	2,555
TOTAL	48,110	(11,463)	925	0	0	(3,753)	33,819