



STOCKPORT
METROPOLITAN BOROUGH COUNCIL

Corporate Performance and Resources

Third Update Report 2018/19



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|------|-------------|---------|-----|-------------|----|
| Date | 28 Jan 2019 | Version | 1.0 | Approved by | AG |
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CORPORATE OVERVIEW



Executive Leader's Introduction

The Third Update corporate report is presented in a new streamlined format, focusing on highlights and exceptions during the Third Quarter of the year. I'd recommend that this is read alongside my Leader's Report and the Portfolio Reports to provide a comprehensive picture. The Executive Summary below also provides a good outline of progress against our shared outcomes since the Mid-Year report.



Building the homes we need is at the heart of our ambitions for Stockport, and I'm pleased to see significant progress in delivering several affordable housing developments in recent months. The recent approval of the Mayoral Development Corporation plans for Town Centre West will help unlock a major development site, including 3,000 new homes. This will contribute significantly to our revised housing targets within the latest draft of the GM Spatial Framework, and I would encourage a wide response to both consultations.

The last quarter also saw a joint inspection of Stockport's services for young people with special educational needs and disabilities. Whilst some of the initial findings were critical, the inspection report also identified a number of areas of excellence. Developing an improvement plan with our colleagues in Stockport CCG provides a great opportunity to work together with parents, carers and young people in designing a 'whole family' approach to meet their future needs.

Financial challenges remain as we move towards finalising our 2019/20 budget, and our prudent investments and use of reserves continue to be essential in delivering a balanced budget. It was recently highlighted that over 90% of councils reported budget deficits in children's social care last year due largely to growing numbers of looked after children and child protection plans, and we are exploring how we can address these issues across Greater Manchester.

This will be my final corporate report as Leader, and I have been immensely proud of the many steps the Council has taken to improve outcomes for local people and protect our most vulnerable residents in the face of austerity and increasing demand. I will be presenting our new Council Plan for approval alongside our budget proposals in February. These build on our achievements, with a focus on changing the way we work, ensuring Stockport can look to the future with growing confidence.

Cllr Alex Ganotis, Leader of the Council (Policy, Finance and Devolution)

Forecast Budget Position 2018/19

| | Revenue Budget £000 | Forecast Outturn £000 | (Surplus)/ Deficit £000 | Reserves and Balances | Balance at 31/12/18 £000 |
|----------------------------------|------------------------|--------------------------|-------------------------------|--------------------------------------|--------------------------------|
| Cash Limits | 170,799 | 172,769 | 1,970 | | |
| Non-Cash Limits | 67,143 | 60,368 | (6,775) | Non-Ring fenced: | 9,200 |
| DSG | 0 | 900 | 900 | General Fund Balances | 9,200 |
| Total | 237,942 | 234,037 | (3,905) | Earmarked Reserves | 59,720 |
| | | | | Ring fenced: | |
| 2018/19 Capital Programme (£000) | | | 129,982 | DSG and School Balances | 1,205 |
| 2019/20 Capital Programme (£000) | | | 165,031 | HRA Reserves and Balances | 2,426 |
| 2020/21 Capital Programme (£000) | | | 60,288 | Total Reserves & Balances | 72,551 |

Portfolio Reporting

Individual Portfolio Performance and Resource Reports contain an update on highlights and exceptions during the quarter in relation to performance, projects and spending. These are considered first by the relevant Scrutiny Committees as set out below, before the Corporate Report is presented to the Cabinet. Any comments from scrutiny committees will be captured, with specific issues highlighted and used to inform the Corporate Report along with future Portfolio Reports. *Click on the hyperlinks to access the Portfolio Reports for each Scrutiny Committee.*

| Scrutiny Committee | Date | 2018/19 Portfolio Reports |
|------------------------------|------------|--|
| Adult Social Care and Health | 15 January | Adult Social Care, Health |
| Communities and Housing | 21 January | Communities and Housing |
| CRMG | 22 January | Reform and Governance |
| Children and Families | 23 January | Children and Families, Education |
| Economy and Regeneration | 24 January | Economy and Regeneration |

Executive Summary

The Third Update Report brings together key areas of progress in delivering the shared outcomes and priorities within the Council Plan and Portfolio Agreements during the third quarter of 2018/19 (October to December). A brief summary is provided below under each of the five shared outcomes;

People will be able to make positive choices and be independent

Significant changes are underway in providing specialist lifestyle services, focusing increasingly on targeted prevention, where achieving an impact on can be extremely challenging and complex. Partnership working is essential to achieving these goals, for example with GMP referrals to the Stockport Triage Assessment and Referral Team (START) supporting people through lifestyle changes, with a long-term focus to reduce demand across the system.

The recent announcement of an extension to the Type 2 Diabetes Prevention Programme will enable the excellent work being done locally to continue until at least 2021. Meanwhile, the delayed roll-out of flu vaccines has impacted on Stockport's programme of early vaccinations. The recent rise in excess winter deaths emphasises the importance of vaccination programmes targeted at people most at risk.

The Council was recently awarded funding to maximise the use of assistive technology to help keep people safe and independent at home. This involves a range of services working together to provide individual technology enabled care for residents.

A Start Well and School Readiness strategy has been developed, supporting a consistent offer targeted at the most vulnerable children and families. This is complemented by creating a 'Team Around the Early Years' approach which is being communicated to early years providers including Childminders and nurseries.

Latest comparable data shows that Stockport continued to performed better than both statistical neighbours and national average in educational attainment at Key Stage 4, Attainment 8 and Progress 8 in 2018. Meanwhile, the Continuing Education Service and ACORN Recovery were recently recognised for their Turnaround project through the Green Gown Awards.

People who need support will get it

A Local Area Inspection of Stockport's services for children and young people (0-25) with Special Educational Needs and Disabilities (SEND) was undertaken by Ofsted and the CQC in September. Although a number of areas were critical, the inspection team recognised the transformational journey in Stockport and acknowledged that many improvements had already been made. The Council and

CCG are putting further plans in place to address the areas identified for improvement, working in partnership with families and carers.

The numbers of Looked After Children have increased by 30% since 2016, and this has significant implications for budgets. There has been a 22% fall in Children on a Child Protection Plan since April, but the numbers are still high. A Greater Manchester Children's Plan has been developed outlining a broad approach to children's services, whilst the quality of services delivered by Stockport Family has been recognised through the silver award for Best Social Work Employer at the Social Worker of the Year Awards. Additional grants are also providing opportunities to disseminate good practice within Stockport Family through the Partners in Practice and Greater Manchester Innovation Fund programmes.

The excellent performance of nursing and residential care is recognised by high CQC ratings, with 73% of homes are rated as outstanding or good, placing Stockport second overall across GM. The Stockport Trusted Assessor in Care Homes and Care home team has been established, which have been co-produced with Care and Nursing home providers in Stockport. This offers support to Care Homes for up to 72 hours after people are discharged from hospital, and more than 30 providers have so far signed up to the scheme. The GM Support for Carers Programme is being implemented around an Exemplar Model for Carer Support and a Working Carers Toolkit. Local plans are looking to enhance early intervention and preventative services for carers.

Stockport will benefit from a thriving economy

A new Work and Skills Board has recently been established to focus on helping some of Stockport's most disadvantaged residents to access work. The GM Working Well (Work & Health Programme) is continuing, although progress around new job starts has been limited, and work is underway with Jobcentre Plus to improve performance for 2019/20.

The proposed Mayoral Development Corporation (MDC) has moved a step closer to being realised, with the launch by the GM Mayor of consultation on creating an MDC to lead the regeneration of Town Centre West. This will offer an opportunity for affordable, shared ownership and social rented housing, in addition to new business growth.

Facilities in the Market and Underbanks area are continuing to be improved. Market Place Management took on full responsibility for running the Market in January, the Angel Inn and Blackshaws Café opened in December and the Produce Hall is scheduled to reopen in February. Encouragingly, footfall in the Market Place increased this quarter, reversing recent trends, and there is confidence that the enhanced facilities in the area will see these positive trends continuing.

Stockport will be a place people want to live

Affordable housing continues to be a priority, and the Council welcomed new opportunities to apply for grant funding to build social rented housing, with two schemes in Adswold and Edgeley recently agreed. This broadens the range of housing being built and helps deliver much-needed housing that people can afford.

January has seen the launch of a radical revision of the Greater Manchester Spatial Framework. The area of green belt proposed for development in this revised version is less than half that originally proposed – the latest iteration of the document places far more emphasis on development in town centres, on brownfield sites and on other sustainable locations. Consultation on this draft runs until March, with another draft and consultation due to follow with the aim of a Plan being formally adopted by early 2021.

The health suite, flumes and children's pool at Grand Central are now fully open to the public, whilst work continues to investigate the feasibility of a replacement pool at Marple following the closure of the existing facility in March 2018. The replacement LED street lighting programme is continuing and

will see all street light bulbs changed over the next three years. This is a green initiative that will reduce CO₂ emissions and reduce maintenance as well as energy costs. Quarter 3 also saw the opening of the A6 to Manchester Airport Relief Road, which now provides a vital road link across Stockport, Manchester and East Cheshire.

Stockport's Cultural Network has been working to develop a Cultural Strategy framework for the Borough intended to facilitate access to external funding that will help to enhance the Borough's cultural offer. For its part, the Council has bid for DCMS funding to develop digital arts spaces, primarily in the Market & Underbanks area, and should know the outcome by February.

Communities in Stockport will be safe and resilient

Multi-agency working with GMP, Stockport Homes and other partners has continued to reduce levels of anti-social behaviour during the autumn through Operation Barometer and Operation Treacle. A new 'Restorative Justice' service has been established for Greater Manchester, and will come into operation in June, helping to bring offenders together with victims to reduce re-offending. Meanwhile, a new programme to deliver the national Prevent initiative has been launched in GM, with a co-ordinator working across Stockport, Oldham and Rochdale. This will focus on working with individuals and local communities to prevent people being drawn into terrorism and violent extremism.

The GM Mayor launched 'A Bed Every Night' in November. This campaign involved a Mayoral pledge to make beds available every night for rough sleepers across GM from November 2018 to March 2019. Stockport has 115 beds available in various locations with support available, and latest figures show that 456 people across GM benefitted from the scheme, with around a third moving through the system to long-term accommodation. The impact of the scheme in Stockport will be evaluated after the end of March.

A range of digital programmes continue to promote digital skills and inclusion for all residents, with Stockport signing up to the Local Digital Declaration, helping to pool resources by working together with other public bodies. A recent funding award will help deliver a collaborative project leading to better outcomes for local families.

Applications for the second phase of the Stockport Local Fund are being assessed, generating innovative ideas for local community activities and projects. The fund is part of the wider Stockport Local ambition to help people to join together and make local neighbourhoods even better places to live. The Council and partners also continued to support local residents during the roll-out of Universal Credit in the last quarter, with a range of briefings and advice sessions held to raise awareness and ensure people can access help when they need it. Work to better understand inequalities across Stockport's communities has also progressed with groups set up including local residents to focus on specific issues identified by community reporters.

Financial summary

The revenue budget remains at £237.942m, which includes an allocation to ASC from Non-Cash Limits (NCL) of £0.225m. An increased revenue surplus of £4.8m is forecast due largely to NCL, including an interim dividend of £2m from Manchester Airport Group. Cash-Limit budgets are forecasting an increased deficit of £1.97m largely due to continuing pressures within the Children's and Adults Portfolios. Reserves and balances have reduced by £19k and stand at £72.557m.

The three-year Capital Programme stands at £355.3m, including an increase of £9.2m since Q2 largely due to grant income of £5.9m relating to the A6 MARR scheme. £10.2m has been re-phased from 2018/19. A Treasury Management update is also provided, outlining key economic trends along with borrowing and investment activity during the quarter.

The latest update on the **Corporate Risk Register** was considered by [Audit Committee on 28 November 2018](#). A full update will be included in the Annual Report.

1. PRIORITIES AND PERFORMANCE



1.1 Corporate Performance Overview and Analysis

The forecast position at the end of the third quarter is based on 52 measures where new data is available. These include seasonal data such as flu vaccinations, but exclude the educational attainment data for 2018 already reported at Q2. These are shown in Appendix 1, with commentary on specific measures included within the Portfolio Reports.

An improved position continues to be reported compared to the 2017/18 picture at Q3, with 69% of measures forecast to be on or ahead of target compared to 51.5% at December 2017. There are 63.4% of measures forecast to improve or maintain performance; a small reduction compared to the Q3 position of 66.6% at the end of 2017. There has, however, been a reduction in the number of measures where performance is forecast to deteriorate, from 23 at Q2 2017 to 19 at Q3 2018.

There are significantly fewer 'amber' measures on achievement of targets, and the numbers which are forecast as being significantly below target ('red' measures) have reduced from 9 at Q3 last year to just 4 at the end of December 2018. This is an increase from the mid-year position of just two 'red' measures, but still represents significant improvement from the 2018 position.

Projections for an increase in permanent admissions to residential and care homes (ASC portfolio) remain well above the Better Care Fund target, but the other 'red' rated measure at mid-year has stabilised and is now reporting fewer young people not in education, employment or training (Educ portfolio). The three additional measures reported as off target are due to fewer older people remaining at home 91 days after coming out of hospital (ASC), higher levels of litter being recorded (C&H) and a smaller forecast for job creation by new businesses (E&E).

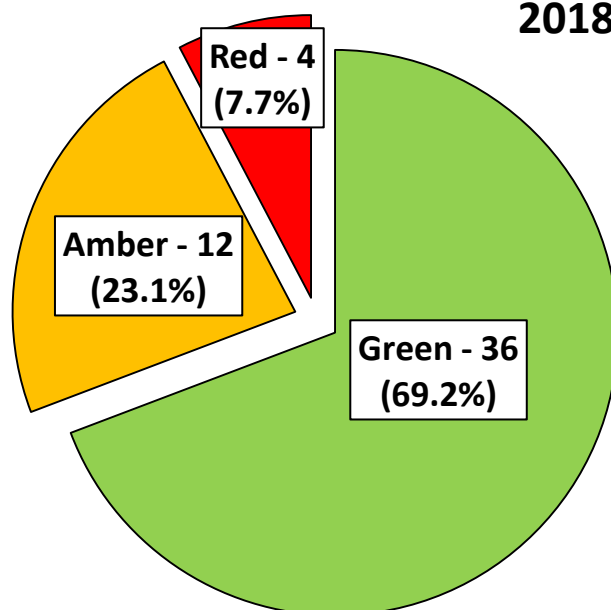
Performance on four measures improved from an 'amber' to a 'green' rating, with a reduction in alcohol-related hospital admissions for both adults and children (Health, C&F), a slight improvement on early years attainment (Ed) and more calls being answered at the Contact Centre (R&G). Two measures reported as 'green' at Q2 are now 'amber' due to more school leavers whose destination is unknown (Ed) and a higher forecast for employee sickness absence (R&G).

All portfolios have at least one measure which is off target. A number of measures are within their target range, but are showing a slight deterioration from last year's performance, notably around the NEET indicators within the Education Portfolio. Reduced performance is forecast for five of the six newly-reported measures within Education, whilst half of the measures reported within Adult Social Care and Reform & Governance, and 40% of those within Health are forecast to deteriorate. In most cases, the change reflects small numbers, with a more positive long-term trajectory. The contextual measures in Children & Families reflect continuing increases in children in care and domestic abuse incidents involving under 18s, but a reduction in those subject to a child protection plan.

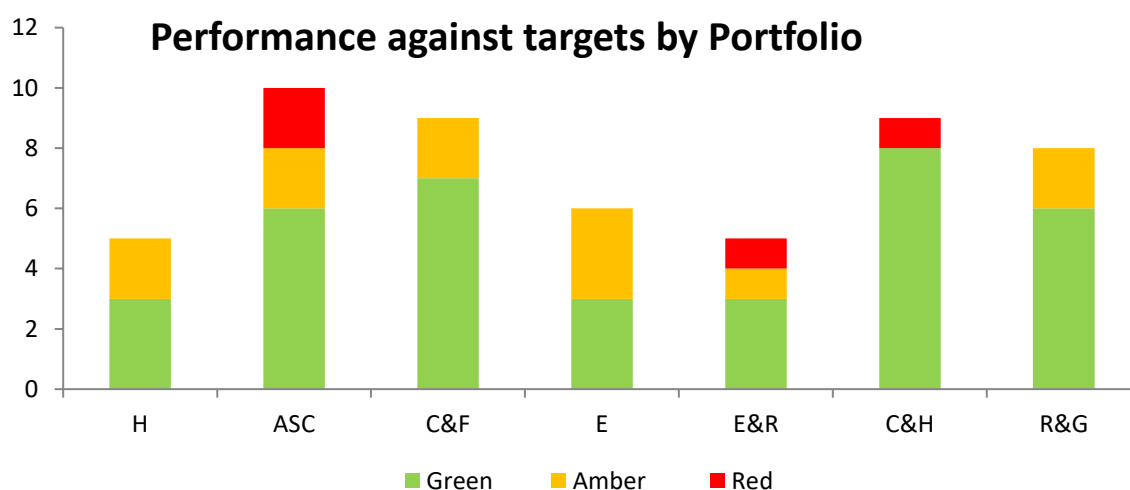
The Annual Report will include the full range of measures, including those reported annually, providing a more comprehensive picture. It is clear, however, that performance levels reflect the continuing financial, demographic and demand challenges primarily impacting on Adults, Children and Health services.

Performance against key targets within the **Greater Manchester Strategy** is reported in detail in a [separate report](#), with relevant indicators also referenced within Appendix 1.

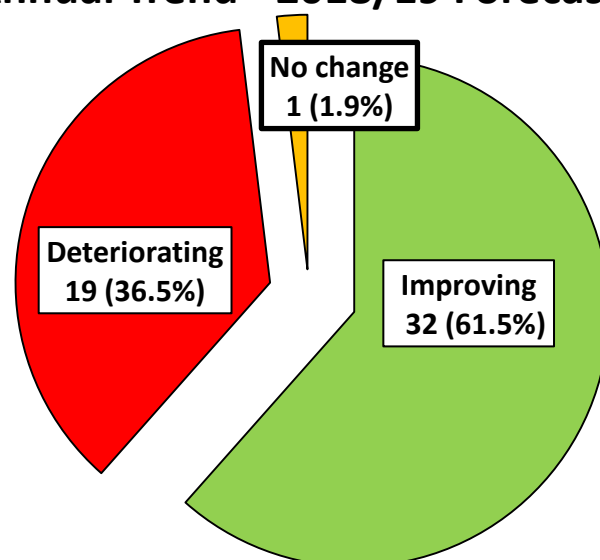
Forecast performance against targets 2018/19



Performance against targets by Portfolio



Annual Trend - 2018/19 Forecast



2. FINANCIAL OVERVIEW AND ANALYSIS

REVENUE BUDGET



2.1 Revenue Budget

This section of the report sets out the 2018/19 revenue position. It includes:

- A summary of the revenue budget and forecast outturn position for the Council as at Quarter 3;
- Details of the revenue forecast position with regard to Cash Limit budgets, Non-Cash Limit budget, Dedicated Schools Grant (DSG), and the Housing Revenue Account (HRA); and
- An update on Reserves and Balances at the end of the quarter at appendix 4

2.2 Revenue Budget Adjustments

2.2.1 The following table summarises the proposed changes to the revenue budget that have arisen during the quarter.

2018/19 Revised Budget as at 31 December 2018

| | Approved Budget £000 | Revised Budget 31/12/18 £000 | Increase (Reduction) £000 |
|-----------------|----------------------------|---------------------------------------|---------------------------------|
| Cash Limits | 170,562 | 170,799 | 237 |
| Non-Cash Limits | 67,380 | 67,143 | (237) |
| Total | 237,942 | 237,942 | 0 |

2.2.2 The revenue budget has not changed in overall terms since the budget was set in February 2018. The table above reflects the final allocation to Adults Social Care (£0.225m) from the Non-Cash Limit contingency budgets in relation to demand and price inflation identified at budget setting.

2.2.3 A breakdown of the Quarter 3 budget virements are shown in the table below. The revised budget by Portfolio is shown in Appendix 2.

Virements Previously Approved by Cabinet

| Item | Type* | Amount £000 | From | To | P/T** |
|--|-------|----------------|------|-----|-------|
| Final allocation of demand contingency | BR | 225 | NCL | ASC | P |

Virements Presented for Approval by Cabinet

| Item | Type* | Amount £000 | From | To | P/T** |
|-------------------------------|-------|----------------|------|-----|-------|
| Final allocation of pay award | BR | 12 | NCL | ASC | P |

| | | | | | |
|-----------------------|----|---|-----|-----|---|
| Rest Centre provision | BR | 9 | ASC | R&G | P |
|-----------------------|----|---|-----|-----|---|

* V=Virement meaning the transfer of budget from one service area to another

* BR = Budget re-alignment meaning the transfer of budget and activity from one service area to another

** P = Permanent and T = Temporary

= Revenue Budget Control Total

2.3 Revenue Forecast Position for 2018/19

2.3.1 The overall forecast position for the Council's revenue budget shows a surplus of £4.805m as at 31 December 2018. The surplus is reduced to £3.905m after financing the DSG forecast in-year deficit of £0.900m (approved by Cabinet at Quarter 2). This is incorporated in the table below:

2018/19 Forecast Outturn as at 31 December 2018

| Portfolio | Original Budget £000 | Revised Budget £000 | Provisional Outturn £000 | (Surplus)/ Deficit £000 |
|---|-------------------------|------------------------|-----------------------------|-------------------------------|
| <u>Cash Limits</u> | | | | |
| Adult Social Care | 67,261 | 69,781 | 70,560 | 779 |
| Children and Family Services | 27,655 | 28,306 | 29,519 | 1,213 |
| Communities and Housing | 22,416 | 22,556 | 22,556 | 0 |
| Economy and Regeneration | 2,562 | 2,668 | 2,668 | 0 |
| Education | 2,639 | 3,144 | 3,144 | 0 |
| Health | 15,990 | 16,035 | 16,013 | (22) |
| Reform and Governance | 26,731 | 28,309 | 28,309 | 0 |
| Total (Cash Limits) | 165,254 | 170,799 | 172,769 | 1,970 |
| Pay | 1,768 | 0 | 0 | 0 |
| Superannuation (Auto-Enrolment) | 1,770 | 1,214 | 0 | (1,214) |
| Price Inflation/National Living Wage | 3,141 | 581 | 581 | 0 |
| Demand Pressures | 866 | 0 | 0 | 0 |
| Apprenticeship Levy | 400 | 400 | 360 | (40) |
| Stockport Together Risk Contingency | 4,000 | 4,000 | 4,000 | 0 |
| Growth and Reform | 2,098 | 2,098 | 2,098 | 0 |
| Other Non-Cash Limits | 58,645 | 58,850 | 53,329 | (5,521) |
| Total (Non-Cash Limits) | 72,688 | 67,143 | 60,368 | (6,775) |
| Total (Cash & Non-Cash Limits) | 237,942 | 237,942 | 233,137 | (4,805) |
| DSG Deficit | 0 | 0 | 900 | 900 |
| Revised Forecast Outturn | 237,942 | 237,942 | 234,037 | (3,905) |

Cash Limit Portfolios

- 2.3.2 Cash Limit Portfolios are forecasting an overall deficit of £1.970m (£1.009m at Quarter 2). The increased deficit relates to Adult Social Care and Children's and Family Services Portfolios which both continue to experience increasing expenditure and demand pressures. Updates for each Portfolio for Quarter 3 can be found in the respective Portfolio Performance and Resources Reports on the relevant scrutiny committee meeting agendas or by using the hyperlinks in the table above.
- 2.3.3 The Adult Social Care Portfolio is reporting a £0.779m deficit against a budget of £69.781m at Quarter 3, which is 1.1% of their net Cash Limit budget. This is an increase of £0.527m since Quarter 2. Integrated Neighbourhood Services are reporting a deficit of £0.588m as the service continues to experience financial pressures within Residential and Nursing Care due to increased demand for permanent and short term placements and continuing to pay enhanced rates. Learning Disability Services are reporting a deficit of £0.560m due to additional demand and increased complexity of clients. Surpluses within other services bring the net deficit to £0.779m.
- 2.3.4 The Children and Family Services Portfolio is reporting a £1.213m deficit against a budget of £28.306m in Quarter 3, which is 4.3% of their net Cash Limit budget. This is an increase of £0.593m since Quarter 2. The deficit is predominantly within Looked After Children (LAC) for external residential and external foster care placements and also LAC maintenance and legal fees giving a total reported deficit of £0.993m. A further deficit of £0.299m relates to Children with Disabilities service in relation to respite care payments. A review is underway to establish whether the main cost driver for this increase in costs is increased demand, increased complexity of need or reduction in joint funding relating to complex cases.

Non-Cash Limit

- 2.3.5 The overall Non-Cash Limit budget is projecting a surplus of £6.775m. As previously reported, there are surpluses relating to Capital Financing costs (£2.9m), unallocated contingency budget (£1.2m) and the Waste Disposal Levy (£0.486m).
- 2.3.6 The forecast position includes the interim dividend from Manchester Airport Group announced in December of £2.064m. This was not included in previous quarter's forecasts as there was no guarantee that an interim dividend would be distributed to shareholders.
- 2.3.7 The final approved allocation of contingency budget to Adults Social Care of £0.225m has been completed at Quarter 3. In line with previous policy to fund redundancies corporately if they contribute to MTFP savings, the remaining price inflation contingency of £0.581m is earmarked to fund these costs.
- 2.3.8 As reported at Quarter 2, there are potential calls on the Council's 2018/19 forecast surplus including:
- Supporting the Council's response to the SEND review recommendations;
 - Supporting the funding of the planned Merseyway investment;
 - Supporting the funding of the continuing pressures in the Health and Social Care economy; and
 - Providing further double running resources to support the implementation of the 2019/20 savings proposals.

2.4 Dedicated Schools Grant (DSG)

- 2.4.1 The DSG is forecasting a £0.900m deficit at Quarter 3 across the four notional blocks (after adjustments/deployment of reserves). The key pressure area within the above forecast is

the high needs block and the additional in year cost pressure of creating a further specialist satellite provision at Overdale Centre, general increase in SEND support/demand costs and further increase in the number of severe/complex pupils placed in external high cost independent sector places.

- 2.4.2 The use of the Non Cash Limit surplus to address the in-year deficit on the DSG was approved at Quarter 2. This avoids having to carry forward a deficit position on the DSG into 2019/20. It is noted that we have received notification of additional resources of £0.662m in 2018/19 and 2019/20. It is still recommended that the General Fund finances the underlying deficit of £0.900m, as the current estimated 2019/20 position is a deficit of circa £1.6m. This would allow the use of £0.754m carry forward DSG Reserve balance plus 0.5% of funding (circa £0.846m) approved from the schools block, to produce a balanced position for 2019/20.

2.5 Housing Revenue Account (HRA)

- 2.5.1 The HRA forecast outturn position for 2018/19 as at Quarter 3 is illustrating a surplus of £0.615m above minimum balances after allowing for a reduced revenue contribution to capital in-year. The surplus will be carried forward to 2019-20 to support the deficit forecasted due to the compounded impact of the final year of the mandatory four-year 1% rent reduction.
- 2.5.2 The 2018/19 position is showing some favourable variances on expenditure such as interest and MRP payments due to an application of attributable debt at the 2017/18 year end. The rental income on social rent dwellings is forecasting an adverse variance due an increase in voids over budget in the current year (average of 0.95% to date against a budget of 0.50%). Based on the current levels, the RTB levels have been re-forecasted down from 90 to 70 for 2018/19.

2.6 Collection Fund

- 2.6.1 The forecast outturn position on the Collection Fund as at Quarter 3 is a surplus of £2.119m made up of a £1.639m surplus on Council Tax and £0.480m surplus on Business Rates. The Council's share of this surplus is £1.898m made up of a £1.423m surplus on Council Tax and a £0.475m surplus on Business Rates.

| | Council Tax £000 | Business Rates £000 | Total £000 |
|--|---------------------------------|------------------------------------|-----------------------|
| Collection Fund Income | (173,420) | (81,417) | (254,837) |
| Collection Fund Expenditure* | 171,781 | 80,937 | 252,718 |
| 2017/18 (Surplus)/Deficit | (1,639) | (480) | (2,119) |
| Allocated to: | | | |
| Stockport Metropolitan Borough Council | (1,423) | (475) | (1,898) |
| Greater Manchester Fire and Rescue Authority | (61) | (5) | (65) |
| Greater Manchester Police and Crime Commissioner | (155) | | (155) |
| | (1,639) | (480) | (2,119) |

* includes distribution to the Council and Precepting Authorities during the year

3. FINANCIAL OVERVIEW AND ANALYSIS

CAPITAL PROGRAMME



- 3.1 The following table provides the forecast position of the 2018/19 Capital Programme as at 31 December 2018. Details of the changes made to the programme during the second quarter are set out below at paragraph 4.1.5.

| Expenditure as at 31 Dec 2018 £000 | Portfolio | 2018/19 Programme £000 | 2019/20 Programme £000 | 2020/21 Programme £000 | Programme 2021/22 Onwards £000 |
|---|------------------------|------------------------------|------------------------------|------------------------------|---|
| 17 | Adult Social Care | 1,236 | 620 | 0 | 0 |
| 0 | Children & Families | 0 | 24 | 0 | 0 |
| 23,674 | Communities & Housing | 36,512 | 47,591 | 20,002 | 71,018 |
| 46,416 | Economy & Regeneration | 67,858 | 62,042 | 31,603 | 37,004 |
| 5,406 | Education | 7,826 | 29,992 | 784 | 0 |
| 14,883 | Reform & Governance | 16,550 | 24,762 | 7,899 | 8,881 |
| 90,396 | TOTAL | 129,982 | 165,031 | 60,288 | 116,903 |

- 3.2 The Council's 2018/19 three-year Capital Programme is £355.301m as at 31 December 2018, with planned expenditure of £129.982m in 2018/19. There has been a net increase in the three-year capital programme of £9.220m since last reported as at 30 September 2018. The net increase is due to new allocations of funding and the re-phasing of funds associated with longer term schemes forward into the current capital programme, including the following:-
- £0.365m additional revenue funding in 2018/19 to support the new Case Management System (Adult Social Care);
 - £1.417m in loans to Stockport Homes Ltd for Affordable Homes schemes has been added to the 2019/20 (Communities and Housing);
 - A decrease of £0.662m in 2019/20 HRA general capital schemes (Communities and Housing);
 - Additional Department for Transport grant funding of £1.022m in 2018/19 and £1.026m in 2019/20, largely allocated to LTP and SEMMMS Integrated Transport highways schemes (Economy and Regeneration); and,
 - £5.965m grant funding associated with the long-term SEMMMS A6 to Manchester Airport Relief Road scheme has been brought forward into the current three-year programme.
- 3.3 Schemes are regularly reviewed and the programme is adjusted accordingly. A net total of £10.241m of funding has been re-phased from 2018/19, £7.268m to 2019/20 and £2.973m to 2020/21. The more significant schemes being re-phased include the following (2018/19 to 2019/20 unless otherwise indicated):-
- £0.571m grant funding yet to be allocated (Adult Social Care);
 - £0.538m of mostly capital receipts funding for HRA New Build schemes (Communities and Housing);
 - £0.975m in loans to Stockport Homes Ltd for the Affordable Homes schemes (Communities and Housing);
 - £0.532m in capital receipts for Strategic Housing Renewal schemes (Communities and Housing);

- £0.600m of directly funded borrowing for the Street Lighting Investment Programme (Communities and Housing);
- £1.397m in grant funding for the Town Centres Structures Merseyway scheme (Economy and Regeneration);
- A total of £3.488m of directly funded borrowing for the following non-highways schemes in Economy and Regeneration has been re-phased as follows:-
 - Stockport Exchange Phase 3 - £1.356m from 2018/19, £0.691m to 2019/20 and £0.665m to 2020/21;
 - Redrock - £0.793m;
 - Aurora Stockport - £0.619m;
 - Merseyway - £0.500m; and,
 - Markets and Underbanks - £0.220m rephased from 2018/19 and £1.780m from 2019/20 to 2020/21.
- £0.420m of grant funding in the Primary Sector (Education).

3.4 The changes to the Capital Programme during quarter one are set out by portfolio in the table below.

| Portfolio | Programme as at 1 Sept 2018 £000 | Additional /Reduced Programme £000 | Virement/ Re- phasing £000 | Programme as at 31 Dec 2018 £000 |
|------------------------|---|---|-------------------------------------|---|
| <u>2018/19</u> | | | | |
| Adult Social Care | 1,491 | 365 | (620) | 1,236 |
| Children & Families | 24 | 0 | (24) | 0 |
| Communities & Housing | 39,276 | 74 | (2,838) | 36,512 |
| Economy & Regeneration | 68,763 | 1,022 | (1,927) | 67,858 |
| Education | 8,314 | 0 | (488) | 7,826 |
| Reform & Governance | 16,912 | 88 | (450) | 16,550 |
| Total | 134,780 | 1,549 | (6,347) | 129,982 |
| <u>2019/20</u> | | | | |
| Adult Social Care | 0 | 0 | 620 | 620 |
| Children & Families | 0 | 0 | 24 | 24 |
| Communities & Housing | 43,998 | 755 | 2,838 | 47,591 |
| Economy & Regeneration | 56,139 | 1,026 | 4,877 | 62,042 |
| Education | 29,504 | 0 | 488 | 29,992 |
| Reform & Governance | 24,387 | (75) | 450 | 24,762 |
| Total | 154,028 | 1,706 | 9,297 | 165,031 |
| <u>2020/21</u> | | | | |
| Adult Social Care | 0 | 0 | 0 | 0 |
| Children & Families | 0 | 0 | 0 | 0 |
| Communities & Housing | 20,002 | 0 | 0 | 20,002 |
| Economy & Regeneration | 28,588 | 0 | 3,015 | 31,603 |
| Education | 784 | 0 | 0 | 784 |
| Reform & Governance | 7,899 | 0 | 0 | 7,899 |
| Total | 57,273 | 0 | 3,015 | 60,288 |

3.5 The following table sets out the resources available to fund the 2018/19 Capital Programme.

| Resources | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 onwards £000 |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------------------|
| Capital Grants | 55,306 | 41,864 | 12,669 | 18,715 |
| Directly Funded Borrowing | 39,678 | 66,050 | 20,111 | 38,197 |
| Unsupported Borrowing | 15,581 | 35,273 | 12,978 | 12,403 |
| Capital Receipts | 2,557 | 5,369 | 0 | 893 |
| External Contributions | 1,600 | 842 | 85 | 0 |
| Commuted Sums | 2,252 | 2,152 | 2,000 | 0 |
| Revenue Contributions (RCCO) | 2,115 | 2,993 | 1,957 | 2,680 |
| HRA funding from MRR | 10,893 | 10,488 | 10,488 | 10,488 |
| TOTAL | 129,982 | 165,031 | 60,288 | 83,376 |

3.6 Capital Prudential Indicators 2018/19

The prudential indicators for the Council's 2018/19 Capital Programme are set out below. These are split into General Fund (non-HRA) and HRA and compare the budgeted 2018/19 Capital Programme to the 2018/19 Programme at Quarter 3.

| Capital Expenditure | 2018/19 Budget £000 | 2018/19 Update Q3 £000 |
|----------------------------|------------------------------------|---------------------------------------|
| General Fund (non HRA) | 134,764 | 109,178 |
| HRA | 20,013 | 20,804 |
| Total | 154,777 | 129,982 |

3.7 The Capital Financing Requirement (CFR) measures the Council's cumulative underlying need to borrow due to capital investment.

| Capital Financing Requirement | 2018/19 Budget £000 | 2018/19 Update Q3 £000 |
|--------------------------------------|------------------------------------|---------------------------------------|
| General Fund (non HRA) | 599,489 | 571,944 |
| HRA | 138,820 | 138,428 |
| Total | 738,309 | 710,372 |

3.8 Updates on individual schemes can be found in the Portfolio Performance and Resources Reports (links on p3).

4. FINANCIAL OVERVIEW AND ANALYSIS

TREASURY MANAGEMENT



4. Treasury Management Review

- 4.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (annual, mid-year and quarterly reports). This report therefore ensures this Council is implementing best practice in accordance with the Code.

4.2 Economic Review

- 4.2.1 During the quarter ended 31 December 2018 the economy lost some momentum with GDP growth for October estimated at 0.4% from 0.6% the previous quarter. Rolling three month growth slowed after a strong summer. The MPC was stuck in a state of Brexit inertia; Parliament was deadlocked over Brexit and equity markets worldwide were hit hard by global growth fears. CPI inflation returned to near the Bank of England's 2% target in December 2018 ending the year at 2.1%.
- 4.2.2 The overall balance of risks to economic growth in the UK is probably neutral. The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out and how quickly the Brexit negotiations move forward positively.

4.3 Interest Rates Quarter 3 2018/19

- 4.3.1 Since the August 2018 increase in Bank Rate to 0.75%, the MPC has put any further action on hold, probably until such time as the uncertainty of Brexit clears. It is particularly unlikely that the MPC would increase Bank Rate in February 2019 ahead of the deadline in March for Brexit. Interest rate predictions are provided by the Council's external treasury management advisors, Link Asset Services on the current premise that there is an agreement on a reasonable form of Brexit. Bank rate under this assumption is forecast to increase steadily but slowly over the next three years to reach 2.00% by quarter one 2022, with the first increase to 1% by mid-2019.
- 4.3.2 PWLB rates have not been on any consistent trend over the 2018/19 financial year to date. Longer-term PWLB rates fell towards the end of the quarter, whilst 5 to 10 year rates have fallen throughout. The Council's 50 year target (certainty) borrowing rate remained unchanged at 0.70% during the quarter. PWLB rates are expected to rise at a gradual pace over the next three financial years.

4.4 Borrowing Activity

- 4.4.1 The strategy followed in quarter three 2018/19 has been to continue to borrow short-term cash from the money markets and from other local authorities at rates close to Bank Rate and to maintain an internally borrowed position.
- 4.4.2 Due to the overall financial position and the underlying need to borrow for capital purposes (the CFR), temporary borrowing was supplemented with new long-term PWLB borrowing in December 2018 when long-term rates fell to their lowest point.

Commencing 13 December 2018 the Council borrowed £40m in two separate loans of £20m for forty seven years and forty eight years respectively at rates of 2.39% and 2.38%. These have been split to mature in separate years and so not expose the Council to too much refinancing risk in any one period.

- 4.4.3 More long-term borrowing may be taken in quarter four of 2018/19 if PWLB rates are advantageous or if the Council experiences particular liquidity shortages leading up to Brexit which will be coupled with year-end.

4.5 Investment Activity

- 4.5.1 Activity is operating within the boundaries established by the Annual Investment Strategy (AIS) for 2018/19, with the Council's investment priorities being Security of Capital, Liquidity and Yield. The Council's investment balances grew towards the end of the quarter as a result of the PWLB borrowing undertaken and some term deposits were made to match off maturing short-term loans in the early part of quarter four. The average level of funds available for investment purposes in the third quarter of 2018/19 has increased from £12.345m in quarter two to £32.743m. This increase was a result of the Council maintaining a precautionary higher level of liquid resources to manage cashflow shortages and as a result of the new long-term borrowing taken at the end of the period (temporary investments stood at £46.2m as at 31.12.18).
- 4.5.2 The Council's combined investments (short-term and Money Market Funds) generated a rate of return of 0.74% in quarter three of 2018/19 and can be compared against an un compounded 7 day LIBID rate of 0.58% (1 month rate of 0.61%, 3 month rate of 0.79%, 6 month rate of 0.91% and 12 month rate of 1.05%). The weighted average duration of the Council's investments varies on a day to day basis and is very short due to the largely liquid nature of these cash deposits; this yield therefore represents good performance relative to the LIBID benchmark. Against this, the Annual Investment Strategy presented to Council in February 2018 budgeted for a return of 0.60%, assuming an average investment duration of up to 100 days.

5. Recommendations

Cabinet is asked to:

- a) Review progress against delivering Council priorities and capital schemes alongside budget and performance forecasts contained within the report;
- b) Note and comment on the new format of the report;
- c) Approve the virements to the Revenue Budget set out in 2.2.3;
- d) Note the cash limit and non-cash limit forecast positions for 2018/19 as set out in 2.3.1;
- e) Note the Dedicated Schools Grant and Housing Revenue Account forecast positions as set out in 2.4 and 2.5;
- f) Note the position on reserves and balances as set out in Appendix 4;
- g) Note the forecast position for the Collection Fund as set out in 2.6;
- h) Note the forecast position for the 2018/19 Capital Programme as set out in 3.1;
- i) Note the re-phasing of capital schemes during the quarter as set out in 3.3;
- j) Approve the proposals for resourcing and additional resources required for the Capital Programme as set out in 3.5;
- k) Approve the 2018/19 Capital prudential indicators and resourcing requirements as set out in 3.6 and 3.7;
- l) Note the Treasury Management review and activity in Q3 as set out in section 4; and
- m) Identify key areas for further investigation and responsibility for taking forward corrective action to address any existing or forecast issues or risks.

Appendices

1. 2018/19 Council Plan Measures (Forecast data)
2. 2018/19 Revised Budget as at 31 December 2018
3. 2018/19 Housing Revenue Account as at 31 December 2018
4. Reserves and Balances at 31 December 2018

Background papers (if report for publication)

More detailed Portfolio Performance and Resource Reports were presented to the last cycle of Scrutiny Committees

Useful Information

The following links provide useful background information to the Corporate Report:

Council Plan 2018/19 - approved at Council Meeting 22 February 2018. Available at;
www.stockport.gov.uk/councilplan

2018/19 Cabinet Revenue Budget and Capital Programme - approved at Council Meeting Feb 2018
<http://scnmodgov.stockport.gov.uk:9070/documents/s133041/Budget%20Report.pdf>