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METROPOLITAN BOROUGH COUNCIL

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Corporate Performance and Resources Mid-Year Report 2020/21

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ONESTOCKPORT

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LEADER'S INTRODUCTION

I'm pleased to present the Mid-Year Corporate Report, setting out progress in delivering the Council's priorities and spending plans during the first half of 2020/21. Nobody could have envisaged the impact the pandemic would have – and continues to have - on all our lives during this period.

Whilst the impact on our budgets and service performance is a recurring theme of these reports, what also comes across is the way in which we continue to rise collectively to these challenges, supporting our local residents, communities and businesses through these turbulent times. This makes me immensely proud, and also gives me the confidence that the sustained effort and sacrifices made will mean that Stockport will emerge stronger and more resilient.

We continue to deliver and build on our priorities whilst responding to the impact of the pandemic. Some great achievements are highlighted within our local communities, such as the recent work with our VCSE partners and local businesses to distribute food vouchers to thousands of local families struggling during half-term. Our flu vaccination rates continue to be amongst the highest in the country, which bodes well for the roll-out of Covid vaccines.

Meanwhile, progress in delivering our ambitious regeneration plans has continued with the first phase of the Mayoral Development Corporation. We have also set out our commitment to the environment through our Stockport Climate Action Now (CAN) plans. All this is set against an increasingly challenging and uncertain financial position, as we continue to identify the funding and resources needed to balance our budgets.

By working together and supporting each other we can build a better future for everyone by connecting communities, promoting health & well-being and supporting our local businesses. This is at the heart of our shared ambition for 'One Stockport' and the great response to our recent survey is helping to shape future priorities in our new, ten-year plan for the borough, ensuring Stockport continues to be a great place to live, work and play. Whilst the coming weeks and months will be difficult for many, I'd like to finish by wishing all our residents, employees, members and partners a happy Christmas and a new year to look forward to.

Cllr Elise Wilson,
Leader of the Council (Policy, Finance and Devolution)

1. EXECUTIVE SUMMARY

This report provides an overview of progress towards delivering the Council Plan 2020/21 Outcomes, along with the additional priorities set out in the Portfolio Agreements for 2020/21. These were considered by Scrutiny Committees in September and approved by Cabinet on 6th October. It includes a high-level overview of the activity, performance and spend contributing to meeting these priorities.

Following a review of the Performance and Resources Framework, the Corporate Report is now considered at the same Scrutiny Cycle as the Portfolio Reports, improving timeliness and reducing duplication. Portfolio Performance Dashboards have also been launched alongside the Mid-Year Reports and these can be accessed via unique hyperlinks within each Portfolio Report (see below). Where possible the commentary, performance and financial data covers the period to the end of October to make these reports as timely as possible.

Performance analysis in Section 2 of this report is based on the Corporate suite of measures, which are set out within the Performance Dashboard – accessible via this link.

The Portfolio Performance and Resource Reports contain a more detailed report on performance and finance, focussing on highlights and exceptions, in relation to the priorities and responsibilities of the seven Cabinet Portfolios. These Portfolio Reports can be accessed by following the links to the five Scrutiny Committees below:

Scrutiny Committee	Date	2020/21 Portfolio Reports
Communities and Housing	7th Dec	Sustainable Stockport (SS) Inclusive Neighbourhoods (IN)
CRMG	8th Dec	Resources, Commissioning and Governance (RCG) Citizen Focus and Engagement (CFE) Corporate Report (CPRR)
Children and Families	9th Dec	Children, Family Services and Education (CFSE)
Adult Social Care and Health	10th Dec	Adult Care and Health (ACH)
Economy and Regeneration	10th Dec	Economy and Regeneration (E&R)

Forecast Budget Position 2020/21

	Revenue Budget £000	Forecast Out-Turn £000	(Surplus)/ Deficit £000
Cash Limits	190,081	209,590	19,509
Non-Cash Limits	57,764	63,677	5,913
Total	**247,845**	**273,267**	**25,422**

2020/21 Capital Programme (£000)	136,266
2021/22 Capital Programme (£000)	184,357
2022/23 Capital Programme (£000)	72,465

Reserves and Balances	Balance at 31/10/20 £000
Non-Ring fenced;	
General Fund Balances	10,200
Earmarked Reserves	79,342
Ring fenced;	
DSG and School Reserves	8,580
HRA Reserves	3,467
Total Reserves and Balances	**101,589**

Delivering our Shared Outcomes for Stockport

The Mid-Year Report brings together a summary of key achievements in delivering the shared outcomes and priorities within the Council Plan and Portfolio Agreements during the first half of the year, with a particular emphasis on the Second Quarter of the year (July to September) and through to the end of October in most cases. A brief summary is provided below under each of the four shared outcomes.

People will be able to make positive choices and be independent and those who need support will get it

A recent Ofsted letter confirmed the strength of safeguarding and Covid-19 security in early years settings in Stockport. An Early Help Strategy has been drafted and provides a framework to build on the existing offer to develop a total system of support that improves a family's resilience and outcomes or reduces the chance of a problem getting worse. Schools are being supported to deliver training around emotional wellbeing and mental health, whilst the SEND strategy was launched during the week of action in November.

The response to the increase in complex safeguarding issues during the pandemic, notably referrals concerning domestic abuse, has continued through the Aspire service. There continues to be additional pressures and challenges around looked after children and supporting care leavers, although contact with the most vulnerable young people has been maintained throughout. A safeguarding policy review for adult social care is underway, informed by a recent workshop.

Action continues to promote healthy communities and reduce health inequalities, with a whole system approach. This has been intelligence-led by the recent JSNA assessing the health impacts of Covid and has helped inform key activities including the Active Communities Programme, along with the re-start of those around diabetes prevention, weight management and smoking cessation. The Council has led the local response to the pandemic, with strategic groups established to provide management and decision making around outbreak management.

An approach to early intervention and prevention has been a key feature of many programmes, including the GM drug and alcohol strategy, with the VIP project recently recognised at the MJ Awards. Preventative programmes, including breast cancer screening and NHS Health Checks, as well as the flu immunisation programme, are now underway. Mental Health services have completed their move back from Pennine Care, whilst a new Autism Team has been established.

A person and community-centred approach to wellbeing continues to provide a focus with the One Stockport Communities and Team Around the Place Programmes, whilst a new Preventative Commissioning Strategy is under development and integrated commissioning is key to Stockport's Winter Plan. 'People Too' are working with adult social care on a new Workforce Development Strategy focusing on a strengths-based approach, and the 'Front Door' has been strengthened with referral and information officers recruited. Innovative approaches are helping people maintain their independence, with the Prospectus for All Age Living underway at St Thomas' whilst customer journeys are being mapped using the new case management system, and care home residents have benefitted from 4G tablets helping them stay in touch with loved ones.

Stockport will benefit from a thriving economy

The impact on Covid-19 has been particularly felt in the local economy, with business activity significantly curtailed and increased levels of unemployment across all age groups and many sectors. Levels of occupation within managed workspace and incubator floor space has reduced compared to 2019/20, but stabilised during Q2 (and forecast to remain around current levels). New lettings and sales of office retail, industrial space have been slow (likewise the growth in jobs normally associated with this). Footfall in Stockport Town Centre is significantly down on last year. More encouragingly however, occupancy levels in Stockport Town Centre and district centres remain around pre-Covid levels and progress has been made with projects associated with the Mayoral Development Corporation.

The ‘One Stockport’ initiative continues to be supported by, and delivered in partnership with, local people and businesses to help build a better future for everyone by connecting communities, promoting health & well-being and supporting local businesses. One Stockport will be at the centre of the new Borough Plan, helping to inform Stockport’s long-term priorities. One example of how this is supporting business is the recent launch of the early supplier payment scheme - Priority Account Service – which ensures prompt payment terms for local suppliers.

Stockport will be a place people want to live

The pandemic has also presented significant challenges around housebuilding – little work was undertaken on site during Q1, so the annual target relating market and intermediate housing delivered in neighbourhood management areas looks unlikely to be achieved. The target relating to affordable housing however is expected to be met and significant numbers of empty properties are being brought back into use.

Efforts to encourage and promote more active lifestyle have had to adapt to changing circumstances, but initiatives aimed at all age groups are nevertheless continuing, as is the delivery of the walking and cycling plan. Due to the pandemic, we have been unable to undertake cleanliness surveys of streets and greenspaces in 2020/21. There has also been an impact on fly-tipping, levels of residual waste, recycling rates and complaints about bin collections – year-end targets are unlikely to be met. A range of new activities and measures relating to climate change are being monitored, and whilst Covid-19 has had an impact on this, work is now underway and achieving the year-end targets remains realistic.

Communities in Stockport will be safe and resilient

A framework has been developed to monitor the financial impact of Covid-19 on Stockport’s communities and a dashboard tool will help facilitate analysis of the datasets identified. A number of strategic investments have been identified to support those whose financial resilience is most affected by Covid-19, utilising national grant monies. A strong team effort was undertaken over half term to distribute free school meal vouchers to over 7000 children and young people. This was alongside an amazing effort from the VCSE sector and local businesses to support families facing food poverty.

The main focus of the Safer Stockport Partnership during the first half of the year has been around responding to changing and increasing demand caused by the pandemic. The Continuing Education Service has continued to support and retain learners, including a significant proportion from Stockport’s priority areas.

There are now eight ‘Teams Around the Place’ spread across the borough, focussing on linking the broader community networks to these neighbourhoods and ensuring connections with key strategic areas of work such as age friendly neighbourhoods; children and young people’s extended integrated programme; and early help and prevention. The VCSE Recovery Programmes continue, including continued provision of advice and guidance to the sector to support interpretation of changing national guidance and ensure they can continue to operate safely where regulations permit. Work is also continuing with Sector3 to raise awareness of national funding pots and maximise successful applications by Stockport VCSE organisations, with £70k of external funding secured in the 4 months to the end of September.

Performance relating to answering calls to the Contact Centre and to the number of council contacts made digitally has continued to improve during the first half of the year. Initiatives to address levels of digital exclusion have had to adapt to pandemic-related restrictions on face-to-face contact, but their ability to adapt, e.g. via remote sessions, means targets relating to Digiknow and individuals supported to get online are on track, and the digital lending library facility continues to expand. The number of “Digital Champions” dropped significantly during the first lockdown, but numbers are now getting back close to pre-Covid levels – achieving the year-end target will be challenging however.

2. CORPORATE PERFORMANCE OVERVIEW AND ANALYSIS

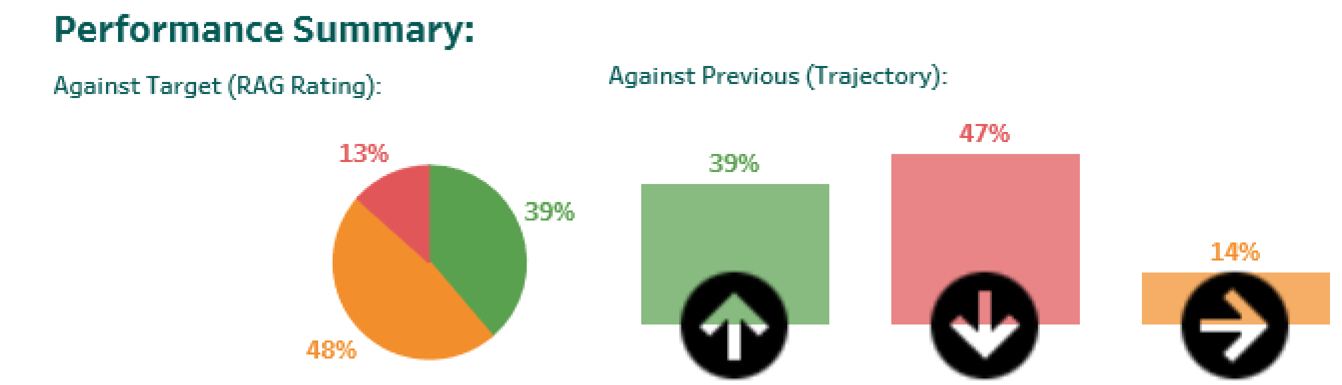
The Corporate Suite of measures has been reviewed and refined for 2020/21. This now includes 83 measures across the 7 Cabinet Portfolios, 16 of which are ‘contextual’ measures with no targets – although most include trend data. The full set of measures can be accessed via the Corporate Performance Dashboard (see link on p3), so no separate PI appendix is included for this report.

Data for the first two quarters of the year, up to the end of October where available, has been used to inform full-year forecasts for those measures reported quarterly. Around a third of measures are reported annually, and the latest data available is used in this analysis. These will be updated for the Annual Report and in the Performance Dashboard as and when new data is published.

The Dashboard uses agreed thresholds for the RAG ratings and trends, which are used in the Portfolio Reports and set out below;

R	Red; Indicator is performing significantly (>5%) below target		Getting worse; This indicator has worsened when compared to previous year-end
A	Amber; Indicator is performing slightly (<5%) below target		Stable; Indicator value has changed by less than 1% when compared to previous year-end
G	Green; Indicator is on track or performing above target		Getting better; This indicator has improved when compared to previous year-end

Across the wider set of 276 measures reported in the Portfolios, 50 are contextual, whilst of the remainder, 46% (103) are ‘green’, 37% (84) ‘amber’ and 17% (39) ‘red’. Of those where trend data is available, 59% (141) are improving or stable, with 41% (100) forecast to deteriorate.



Of the 67 corporate measures rated against targets, 39% (26) are forecast to be on or ahead of target (green), with 48% (32) within 5% of the target (amber). 13% (9) are forecast to be significantly off-target (red). This compares against 43%, 48% and 9% respectively for 2019/20. Whilst some of the measures within the Corporate Suite have changed, the overall picture for the measures where in-year data is available reflects the impact of the Covid-19 pandemic on activity and service performance. There remains uncertainty as to the extent to which performance levels for many of these measures will be able to recover during the second half of the financial year, whilst the annually-reported measures (including many from the GM Strategy) will also be updated when available to reflect these factors.

There are 77 corporate measures with trend data available. Of these, 53% (41) are forecasting an improved or stable position from the previous year, with 47% (36) forecasting a deterioration in performance. This compares to 70% and 30% respectively for 2019/20. Given the factors set out above, this is to be expected. The Portfolio Agreements for 2020/21 included a number of targets which took the impact of Covid-19 into account, so these measures may well be forecasting to be on or ahead of target despite a drop in performance levels.

Closer analysis of the measures forecast to be significantly off-target (red) shows that there were three measures within the CFSE Portfolio, three within SS, two within ACH, and one within RCG. Given the uncertainty around a number of measures, particularly within the E&R Portfolio, targets were not set against some including those on unemployment rates, job creation and care home admissions (ACH) which were previously rated as ‘red’, alongside an increase in looked after children. These are, however, included in the trend data.

Of the 9 ‘red’ measures at mid-year, the lower levels of early years attainment for pupils eligible for free school meals and 16-18 year olds in apprenticeships (CFSE) were also rated as ‘red’ for 2019/20. Whilst the early years measure still relates to 2019, performance on apprenticeships reflects underlying challenges in addition to the impacts of the pandemic. There are potential data quality issues with the Adult Social Care measures showing fewer clients with a learning disability living independently, along with a fall in access to short-term and step-up intermediate tier services (ACH), following transition to a new case management system. Data sources for these measures is being reviewed as a priority, to provide the most accurate picture for year-end returns.

Of the remaining measures, the pandemic has had a direct impact on an increased amount of residual waste being generated by households during lock-down and on recycling rates due to reduced collections earlier in the year (SS). Meanwhile, total property costs to the Council (RCG) have increased this year as a result of the requirement to make premises Covid secure. There was an increase in teenage conceptions (CFSE) during the latest (pre-Covid) reporting period which impacted on the rolling 12-month rate, although the overall figures remain in line with the national average and lower than the GM conception rate.

Of the ‘red’ measures highlighted in the Annual Report, those on affordable housing completions (SS) and Stage 2 complaints upheld (CFE) are both forecast to improve and to meet 2020/21 targets. Meanwhile, over half (16) of the 31 measures forecast as ‘amber’ are either stable or improving compared to 2019/20.

Of the 15 ‘Amber’ measures which are forecast to deteriorate, only 7 are reporting new data this quarter. These reflect fewer learning disability clients in employment; a smaller proportion of older people remaining at home following hospital discharge (ACH - with the caveat around data quality outlined above); fewer young people in education, training or employment and fewer care leavers in suitable accommodation (CFSE); a fall in residents from priority areas in continuing education (IN); an increase in operational property costs (CFE); and lower business rate collection (CFE). Detailed commentary and trend data on the above measures, including actions to address the impact of the pandemic, can be found within the Portfolio Reports and Dashboards.

3. FINANCIAL OVERVIEW AND ANALYSIS REVENUE BUDGET

3.1 Revenue Budget

This section of the report sets out the 2020/21 forecast revenue outturn position. It includes:

- A summary of the revenue budget and forecast outturn position for the Council as at 31 October 2020;
- Details of the forecast revenue outturn position with regard to Cash Limit budgets, Non-Cash Limit budget, Dedicated Schools Grant (DSG), the Housing Revenue Account (HRA) and Collection Fund; and
- Details on Reserves and Balances as at 31 October 2020.

3.2 Revenue Budget Adjustments

3.2.1 The following table summarises the proposed changes to the revenue budget that have arisen during Quarter 2.

2020/21 Revised Budget as at 31 October 2020

	Approved Budget £000	Revised Budget 31/10/20 £000	Increase (Reduction) £000
Cash Limits	186,642	190,081	3,439
Non-Cash Limits	61,203	57,764	(3,439)
Total	**247,845**	**247,845**	**0**

3.2.2 The table reflects the movement of budgets of £3.439m from Non-Cash Limit to Cash Limit and relates to the allocations for pay and price inflation from contingency budgets. A breakdown of the Quarter 2 budget virements are shown in the table below. The revised budget by Portfolio is shown in Appendix 1.

Virements Presented for Approval by Cabinet

Item	Type*	Amount £000	From	To	P/T**
Pay Award	V	2,953	NCL	VAR	P
Price inflation contingency	V	486	NCL	VAR	P
Fly Tipping budget	BR	2	RCG	SS	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

3.3 2020/21 Forecast Revenue Outturn

3.3.1 The overall forecast outturn position for the Council's revenue budget is a deficit of £1.487m. A summary position for each Portfolio is set out in the table below:

2020/21 Forecast Revenue Outturn as at 31 October 2020

Portfolio	Original Budget £000	Revised Budget £000	Forecast Outturn £000	(Surplus)/ Deficit £000
Adult Care and Health	93,798	95,269	100,429	5,160
Children, Family Services and Education	40,994	41,580	43,746	2,166
Citizen Focus and Engagement	4,780	4,996	5,729	733
Economy and Regeneration	1,904	2,065	2,362	297
Inclusive Neighbourhoods	403	641	491	(150)
Resources, Commissioning and Governance	22,612	24,140	30,862	6,722
Sustainable Stockport	20,820	21,390	25,971	4,581
Total (Cash Limits)	**185,311**	**190,081**	**209,590**	**19,509**
Pay Inflation	2,939	0	0	0
Pensions - Superannuation and Auto Enrolment	192	151	151	0
Inflation - Price and National Living Wage	3,753	2,357	2,357	0
Apprenticeship Levy	400	400	396	(4)
Other Non-Cash Limits	54,798	54,856	60,773	5,917
Total (Non-Cash Limits)	**62,082**	**57,764**	**63,677**	**5,913**
Total (Cash & Non-Cash Limits)	**247,393**	**247,845**	**273,267**	**25,422**
Financed by				
Council Tax	148,217	148,217	148,217	0
Adult Social Care Precept	14,501	14,501	14,501	0
Business Rates District Share	76,294	76,294	76,294	0
Business Rates – Tariff	(17,230)	(16,778)	(16,778)	0
Business Rates Section 31 Grants	12,956	12,956	12,956	0
New Homes Bonus	1,390	1,390	1,390	0
Better Care Fund Allocation	6,333	6,333	6,333	0
Social Care Grant	7,015	7,015	7,015	0
Covid-19 Grant	0	0	23,935	23,935
Collection Fund Balance Distribution	1,285	1,285	1,285	0
Appropriation from Reserves	216	216	216	0
Appropriation to Reserves	(3,584)	(3,584)	(3,584)	0
	247,393	**247,845**	**271,780**	**23,935**
	0	**0**	**1,487**	**1,487**

3.3.2 Note that the position does not include the impact of Council Tax and Business Rates income losses as these are accounted for in the Collection Fund. The Quarter 2 Collection Fund forecast is set out at section 3.6 below. It is noted that the Collection Fund deficit will not impact the Council's General Fund until 2021/22. As part of Covid-19 support, Government has allowed Collection Fund deficits to be spread over 3 financial years to smooth the impact on the General Fund rather than incurring the full deficit in 2021/22.

3.3.3 The position includes £23.935m of Government support funding which has not been ringfenced for a specific purpose (ringfenced grants such as the Infection Control Grant and the Track and Trace Grant have been forecast as allocated to the relevant Portfolio Cash Limit Budget) and is therefore included within the Council's overall resource base. This is mainly made up of the four confirmed tranches of the Government support funding in 2020/21 (£22.391m) and the first tranche of sales, fees and charges income loss compensation claim (£1.397m) for income losses between April 2020 and July 2020.

3.3.4 The forecasts in this report build on the forecasts included in the monthly Covid-19 returns to Government and look to refine expenditure pressures and income losses due to Covid-19 and incorporating surpluses and deficits identified from business as usual activities.

Cash Limit Portfolios

3.3.5 Cash Limit Portfolios are projecting an overall deficit of £19.509m, a reduction of £0.953m from Quarter 1.5 forecast reported in September. The forecast includes an increase to the deficit for Children, Family Services and Education Portfolio (£0.939m). This is offset by reductions to Adult Care and Health (£1.180m), Sustainable Stockport (£0.239m), Inclusive Neighbourhoods (£0.222m), Economy and Regeneration (£0.154m) and Citizen Focus and Engagement (£0.097m).

3.3.6 Updates for each Portfolio for Quarter 2 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. Highlights of the significant changes to the Quarter 1.5 forecast are set out below:

Children, Family Services and Education £0.939m increase in pressure:

3.3.7 The increase in the deficit is mainly attributable to demand levels and travel cost increases within SEND Transport. In the last quarter there has been a significant increase in students requiring SEN transport. There has also been an increase in the number of routes taken, including out of area travel routes, and the number of solo passengers has also increased.

3.3.8 Increased pressures are also forecast in the School Improvement and Education Psychologist service areas due to income targets not being met and the Stockport Interpreting Unit are forecasting a deficit due to having to pay casual zero hours contract staff during the first lockdown period.

Adult Care and Health £1.180m reduction in pressure:

3.3.9 The reduced pressure relates to the increased forecast of additional income from Stockport CCG aligned to the Hospital Discharge Programme (HDP). This aligns to the updated publication of the HDP Policy and the reintroduction of Continuing Healthcare assessments, with regards to commissioning of hospital discharge services and prevented hospital admissions through to the 31 March 2021.

Sustainable Stockport £0.239m reduction in pressure:

3.3.10 Forecast costs within leisure services are lower than estimated at Quarter 1.5 and in addition, parking income has been higher than anticipated. However, this has been offset by revised income recovery forecasts to reflect the current national lockdown and further tier restrictions beyond 2 December.

Inclusive Neighbourhoods £0.222m reduction in pressure:

3.3.11 The forecast outturn position now includes ring fenced grant income (Emergency Assistance Grant and Humanitarian Aid Grant) allocated to Support Funds to cover the increased costs aligned to financial hardship of local citizens due to Covid-19.

Economy and Regeneration £0.154m reduction in pressure:

3.3.12 The reduction in pressure is due to better than anticipated income received within Planning and Building Control.

Non-Cash Limit

3.3.13 The overall Non-Cash Limit forecast outturn is a deficit of £5.913m, a reduction of £1.783m from Quarter 1.5. The reduction mainly relates to the confirmation of the return of monies linked to the Waste Levy and Waste reserves held by GMCA of £2.355m. As previously reported, the overall deficit is largely due to the loss of dividend income from Manchester Airport Group (£6.408m) and a forecast impact on the Insurance Fund estimated at around £1.000m.

3.3.14 The forecast assumes the remaining contingency budget will be allocated during the course of the year. Any unallocated contingency would reduce the deficit currently forecast.

3.4 **Dedicated Schools Grant (DSG)**

3.4.1 Dedicated Schools Grant (DSG) - the Centrally Held Budget (CHB) is managed by the local authority on behalf of schools and consists of a range of services to schools and pupils.

3.4.2 The total DSG allocation which is centrally held is £31.588m comprising the high needs block (£26.170m), de-delegated funding for services to LA maintained schools (£3.003m) and Central School Services (£2.415m). The Quarter 2 forecast outturn position provides a deficit at £1.398m.

3.4.3 The significant changes from Quarter 1 forecast are increases in the high needs block pertaining to:

- More pupils in mainstream schools accessing high needs top-up support funding;
- Increase in placements in high cost external/independent providers;
- Increase in occupational health and speech and language support contracts for the increased special school pupil cohort;
- Lost income at PRUs; and
- Import/export and Post 16 funding adjustments re DSG funding.

3.4.4 The above is largely as a result of increasing demand and costs relating to pupils with high needs who require education and support in a specialist provision.

3.4.5 The above deficit will be carried forward as a deficit into the 2021/22 financial year alongside the deficit brought forward from 2019/20 (£1.302m, cumulative £2.7m) and will be managed as part of the overall DSG review project which is currently at the open consultation stage with all stakeholders in relation to the initial findings and key recommendations. This will run alongside the council's vision to implement a new Integrated children's and education strategy linked to the outcomes/requirements following the local area SEND inspection in autumn 2018 and the subsequent written statement of action (WSoA).

3.5 **Housing Revenue Account (HRA)**

3.5.1 The forecast HRA outturn position for 2020/21 as at Quarter 2 (see appendix 2) is a surplus of £0.012m. There are some gains noted within the forecast including lower interest and depreciation costs, along with higher rental income being forecasted due to better than budgeted voids and lower RTBs expected.

3.5.2 The favourable variances are offsetting some of the adverse areas of expenditure being realised as a result of Covid-19 such as a lower rental income from new build due to the later than budgeted completion of the Hexham Close site and lower income from RHI due to some sites temporarily closing.

3.5.3 A higher than budgeted brought forward balance from 2019/20 is being ring-fenced for Project Phoenix, the establishment of a Head of Building Safety and associated support costs.

3.6 Collection Fund

3.6.1 The forecast outturn position for the collection fund is a deficit of £8.504m consisting of a £6.448m deficit on Council Tax and a £2.056m deficit on Business Rates (taking account of the additional Section 31 grants related to the national response to Covid-19 impact on Council Tax taxpayers and businesses). The Council's share of this deficit is £7.513m made up of £5.478m deficit on Council Tax and £2.035m deficit on Business Rates. As part of Covid-19 support, Government has allowed Collection Fund deficits to be spread over 3 financial years to smooth the impact on the General Fund rather than incurring the full deficit in 2021/22.

	Council Tax £000	**Business Rates £000**	**Total £000**
Collection Fund Income	(183,754)	(37,825)	(221,579)
Collection Fund Expenditure*	191,518	80,731	272,249
2020/21 (Surplus)	**7,764**	**42,906**	**50,670**
Council Tax Hardship Support Grant**	(1,316)		(1,316)
Additional Section 31 Grant***		(40,850)	(40,850)
	6,448	**2,056**	**8,504**
Allocated to:			
Stockport Metropolitan Borough Council	5,478	2,035	7,513
Greater Manchester Fire and Rescue Authority	295	21	316
Greater Manchester Police and Crime Commissioner	675		675
	6,448	**2,056**	**8,504**

**includes distribution to the Council and Precepting Authorities during the year.*
***allocation of Council Tax Hardship Support Grant to offset Council Tax income payment to working age local Council Tax support recipients of up £150 in line with Government national response to Covid-19. The above assumes the full allocation is allocated by the end of the financial year, actual spend at Quarter 2 £1.093m.*
****compensatory Section 31 grants for the extension of 100% retail reliefs to retail, hospitality and leisure businesses; paid to the Council in 2020/21 to offset the Collection Fund deficit created by the reliefs given to business. The grant will be paid in to the Council's General Fund in 2020/21 and will be held in reserves and released in line with the reimbursement of the Collection Fund deficit over 2021/22 and 2023/24.*

3.6.2 The forecasted deficit of £6.448m on Council Tax shows a reduction of £2.26m compared to the Quarter 1 forecasted position of £8.7m deficit. At the beginning of the pandemic, large numbers of individuals were expected to be affected by decreases to household income; this was reflected in an increase in support provided through the Local Council Tax Support Scheme from April to June and underpinned the forecasted position for Council Tax reliefs for the remainder of the financial year. Since July, the level of relief has stabilised with far fewer claimants applying for support than expected and therefore, the forecast has been adjusted downwards to reflect this change in trend. It is recognised that the continuation of Government support schemes such as Furlough and Job Retention Schemes have impacted upon this and the risk remains that claimant numbers will increase when these support schemes are removed by Government at the start of 2021/22. In addition, the projected recovery rate for Council Tax has improved since the recommencement of recovery processes in August.

3.6.3 The Council Tax forecast position reflects the in-year allocation of the Council Tax Hardship Grant in line with the amended Collection Fund accounting requirements to smooth the Covid-19 impact. This offsets the element of the deficit created by the loss of Council Tax income as a result of the support payments of up to £150 to working age Local Council Tax Support recipients as part of the Government's national response to the pandemic.

3.6.4 The Business Rates forecast position reflects the decision taken by the Government, in response to Covid-19, to increase the level of retail discount to 100% from April 2020 to temporarily support retail, hospitality and leisure businesses. However, it is noted that Government will fully reimburse Local Authorities for the impact of the increased and extended relief using a Section 31 (S31) grant. As at Quarter 2 the Council will receive £40.850m of S31 grant per the completed additional NNDR1 data collection exercise in 2020/21, to compensate for the loss of Business Rates income as a result of the increased and extended relief. The legislation that governs Collection Fund accounting means the deficit created by these reliefs will not be realised until 2021/22. On this basis the S31 grant will need to be held in the Collection Fund reserves at the end of the financial year to support the funding of this element of the deficit reimbursement in 2021/22.

3.6.5 The Council is continuing to monitor the impact of the Business Rates position alongside the other Greater Manchester Authorities on the 100% Business Rates Retention Pilot in 2020/21. Despite the in-year deficit position highlighted above, the Council still expects to benefit from the Pilot as a result of an increased retention of Business Rates growth achieved in previous financial years. It has been confirmed by GMCA (subject to formal approval) that the Pilot benefit expected will not need to be shared as agreed in previous financial years and can be retained in full by the Council to support the financial response to Covid-19. The expected benefit has been included in the MTFP Update presented to the Cabinet meeting in October as part of addressing the financial challenge in 2021/22, noting that this is subject to change due to the volatility of Business Rate income.

3.6.6 In addition, the Council is working with the other GM Authorities and the GMCA to assess the priorities aligned to the use of retained Business Rates held by the GMCA. This includes consideration of the priorities and commitments aligned to these resources with a view to prioritising these and balancing the beneficial investment to support the GM economy whilst also providing support to Authorities' MTFPs and financial response to the Covid-19 pandemic through the potential return and/or re-prioritisation of these resources.

3.7 Reserves and Balances

3.7.1 The table below shows the overall position on reserves at Quarter 2 and reflects the adjustments made as part of the Reserves Policy and appropriations made during the first half of the year.

Reserves and Balances at 31 October 2020

	Balance as at 01/04/2020 £000	Reserves Policy adjustments £000	Transfers to / (from) Reserves £000	Balance as at 31/10/2020 £000
General Fund Balances	10,013	187	0	10,200
Total General Fund Balances	**10,013**	**187**	**0**	**10,200**
Reserve Linked to Budget	11,397	1,918	0	13,315
Strategic Priority Reserve	31,337	2,751	3,230	37,318
Budget Resilience Reserve	3,980	0	0	3,980
Corporate Reserves	29,248	(5,018)	(251)	23,979
Directorate Reserve	588	162	0	750
Total Earmarked Reserves	**76,550**	**(187)**	**2,979**	**79,342**
DSG and School Balances	8,689	0	(109)	8,580
HRA Balances	2,123			2,123
HRA Earmarked Reserves	1,345		(1)	1,344
Total Ring-fenced Reserves	**12,157**	**0**	**(110)**	**12,047**
Total Reserves and Balances	**98,720**	**0**	**2,869**	**101,589**

3.7.2 The balance of earmarked reserves at the end of Quarter 2 is £79.342m. The table at Appendix 3 provides the sum of earmarked reserve commitments as at Quarter 2 of £52.981m.

3.8 **Covid-19 Financial Impact**

3.8.1 The Council continues to assess and refine the Covid-19 financial impact forecasts on a regular basis as part of the monthly financial impact return to Government; the latest iteration was submitted to Government on 6 November. Whilst the Quarter 2 forecast position presented in this report is based on the best available data and information of the expected financial impact of the pandemic, the financial landscape is increasingly uncertain, complex and volatile. This presents an element of financial risk within the forecasts which will be monitored closely during the financial year. It should also be noted that the forecast position in relation to the Covid-19 financial impact does include assumptions about the impact of the current national lockdown and further tier restrictions on the Council's financial position. However, it is also noted that these forecasts will continue to be refined as further detail is released by Government.

3.8.2 The Council's current estimate of the cost and loss of income is circa £64.9m gross adverse financial impact. To date the Council has received £36.5m of Government support funding (including £14.1m relating to the funding of Infection Control, Track and Trace, Council Tax Hardship, Food Poverty and Essentials Support etc). Funding which is ringfenced for a specific purpose has been reflected in the Portfolio forecasts netting off related expenditure. The remaining balance, largely the four tranches of the Government support funding and the income loss compensation is being held in revenue financing to support the Council's overall in-year deficit position.

3.8.3 Whilst noting the significance of the challenge this position causes, the Quarter 2 forecast indicates a slightly more favourable financial position than presented in the Government returns. This is part due to more accurate information at Quarter 2 recognising anticipated reduction in expenditure in some services due to Covid-19, more favourable position of some savings achievement, the impact of the NHS funded hospital discharge programme and additional funding from the GMCA (return of Waste reserves). In addition, the Collection Fund deficit is not included in the in-year financial position as the legislation that covers the Collection Fund accounting means this will be realised and need to be reimbursed over the next three financial years 2021/22 to 2023/24.

3.8.4 The Council continues to work alongside other Greater Manchester Authorities to assess the Covid-19 financial impact and to lobby for further support from Government. Whilst the Quarter 2 position presented in this report highlights the significant financial impact in-year and how this can be balanced through the Government support funding received and additional available resources identified, there is a recognition that the financial legacy of the pandemic will go beyond 2020/21. The MTFP financial impact is significant and expected to be long lasting as the recovery process continues highlighted by the financial scarring impacts set out in the MTFP Update report presented to Cabinet in October.

3.9 Conclusion

3.9.1 The overall forecast financial position as at Quarter 2 is a deficit of £1.487m. This reflects a further £5.176m of Government support funding received since Quarter 1.5. The Council has been notified that the payment will be made by Government at the end of November. A further two income loss claims will be made to cover income losses over the remainder of financial year. Forecasts of the expected income loss claims have not been included in the Quarter 2 position.

3.9.2 Whilst it is welcome that we have received additional support from Central Government through additional grant funding to help address the financial pressures we are facing, estimating the financial impact continues to be challenging particularly as we experience a second national lockdown and potentially further tier restrictions. The forecasts and assumptions relating to the Covid-19 financial impact and duration of this impact changes continuously resulting in fluctuations in the financial position. Overall, we have seen a further reduction in the deficit position as at 31 October, but this could change as the duration of the pandemic continues to be uncertain.

3.9.3 The Council's in-year financial position is expected to be balanced through a combination of further Government support funding including further income loss compensation claims, and identified available resources including the use of reserves. Additional Government resource between Quarter 2 and the end of the financial year will reduce the expected use of available resources which can be considered as part of the 2021/22 Budget and MTFP. Colleagues in Finance will continue to provide monthly updates to the forecasts as part of the Government's monthly Covid-19 return and monitoring of budgets. This will provide assurance about the resilience and robustness of the Council's in-year financial position to ensure any funding gap can be bridged and balanced.

3.10 2019/20 Statement of Accounts

3.10.1 The Council's 2019/20 Statement of Accounts were presented to the Council's Audit Committee on 9 September. Due to a small number of outstanding audit items that the Council's External Auditors needed to complete relating to asset valuations and assurances on the GMPF audit process, sign-off of the accounts was delayed. On this basis sign-off of the accounts was delegated to the Chair of the Audit Committee and the Corporate Director – Corporate and Support Services following the completion of these audit items.

3.10.2 The Council's 2019/20 Statement of Accounts were signed-off by the 27 November following completing of the audit.

4. FINANCIAL OVERVIEW AND ANALYSIS CAPITAL PROGRAMME

4.1 The Council's 2020/21 three-year Capital Programme is £393.088m as at the Quarter two reporting date and there is planned expenditure of £136.266m on the 2020/21 Capital Programme. Details of the changes made to the Programme during this last quarter are set out in paragraphs 4.2 to 4.4 below.

2020/21 Three Year Capital Programme

Expenditure as at 31 Oct 2020 £000	Portfolio	2020/21 Programme £000	2021/22 Programme £000	2022/23 Programme £000	Programme 2023/24 Onwards £000
90	Adult Care & Health	219	280	0	0
0	Children, Family Services & Education	24	0	0	0
27,956	Economy & Regeneration	51,778	57,351	18,957	13,634
21,417	Resources, Commissioning & Governance	35,987	47,106	3,023	37,178
17,287	Sustainable Stockport	48,258	79,620	50,485	29,301
66,750	**TOTAL**	**136,266**	**184,357**	**72,465**	**80,113**

4.2 There has been an overall net increase in the three-year programme of £46.316m over the last quarter and the more significant of these additions include the following:

- £15.989m of grant funding for the Poynton Relief Road highways scheme, allocated £4.593m to 2020/21, £2.868m to 2021/22 and £8.528m to 2022/23 (Economy and Regeneration);
- £1.594m has been added for Solar PV Schemes over the three-year Programme (£0.045m in 2020/21, £1m in 2021/22 and £0.549m in 2022/23). There is £0.670m of grant funding for this scheme and the remaining £0.924m will be met by directly funded borrowing (Economy and Regeneration);
- £12.950m unsupported borrowing has been included in the 2020/21 Capital Programme for the GM-wide shareholder support for Manchester Airport (Resources, Commissioning and Governance);
- £1.160m revenue funding has been added to the 2020/21 Programme for the IT Nutanix scheme (Resources, Commissioning and Governance);
- £3.834m in loans to Stockport Homes for Affordable Homes Schemes, £1.673m is allocated to 2020/21 and £2.161m in 2021/22 (Sustainable Stockport); and,
- £9.567m of mostly capital grant funding has been added to the HRA New Build Scheme. £0.050m has been allocated to 2020/21, £2.438m to 2021/22 and £7.079m to 2022/23 (Sustainable Stockport).

4.3 Capital schemes are regularly reviewed and the Programme is adjusted accordingly. A net total of £4.577m has been re-phased from the 2020/21 Programme largely to meet expenditure in 2021/22. The more significant schemes being re-phased from 2020/21 to 2021/22 include the following:

- £0.857m of grant funding for the SEMMMS A6 to Manchester Airport Relief Road has been re-phased £0.590m to 2021/22, £0.012m to 2022/23 and £0.255m to beyond the current three-year Programme (Economy and Regeneration);
- £1.316m of grant funding for the Mayoral Walking and Cycle Challenge Fund (Economy and Regeneration);
- £1.520m of mostly directly funded borrowing (£0.184m revenue funding) for the Merseyway Development Scheme (Economy and Regeneration); and,
- £0.695m in grant funding within the Education Property Capital Programme has been re-phased £0.358m to Primary Sector and £0.337m to Funding to be allocated in 2021/22 (Resources, Commissioning and Governance).

4.4 The changes to the Capital Programme during Quarter 2 are set out by Portfolio in the table below.

Portfolio	Programme as at 31 July 2020 £000	Additional /Reduced Programme £000	Virement/ Re-phasing £000	Programme as at 31 Oct 2020 £000
2020/21				
Adult Care & Health	197	0	22	219
Children, Family Services & Education	24	0	0	24
Economy & Regeneration	50,036	5,506	(3,764)	51,778
Resources, Commissioning & Governance	22,497	14,225	(735)	35,987
Sustainable Stockport	46,596	1,762	(100)	48,258
Total	**119,350**	**21,493**	**(4,577)**	**136,266**
2021/22				
Adult Care & Health	302	0	(22)	280
Children, Family Services & Education	0	0	0	0
Economy & Regeneration	50,014	3,868	3,469	57,351
Resources, Commissioning & Governance	46,371	0	735	47,106
Sustainable Stockport	74,721	4,799	100	79,620
Total	**171,408**	**8,667**	**4,282**	**184,357**
2022/23				
Adult Care & Health	0	0	0	0
Children, Family Services & Education	0	0	0	0
Economy & Regeneration	9,840	9,077	40	18,957
Resources, Commissioning & Governance	3,023	0	0	3,023
Sustainable Stockport	43,406	7,079	0	50,485
Total	**56,269**	**16,156**	**40**	**72,465**

4.5 Capital Programme Resources

4.5.1 The following table sets out the resources available to fund the 2020/21 Capital Programme.

Resources	**2020/21 £000**	**2021/22 £000**	**2022/23 £000**	**2023/24 onwards £000**
Capital Grants	43,704	61,664	21,205	17,439
Directly Funded Borrowing	41,322	53,421	22,812	36,285
Unsupported Borrowing	32,425	43,060	9,014	3,120
Capital Receipts	179	4,639	4,863	3,626
External Contributions	1,365	428	23	0
Commuted Sums	1,605	1,550	1,200	0
Revenue Contributions (RCCO)	3,133	6,561	272	6,614
HRA funding from MRR	12,533	13,034	13,076	13,029
TOTAL	**136,266**	**184,357**	**72,465**	**80,113**

4.6 Capital Prudential Indicators 2020/21

4.6.1 The prudential indicators for the Council's 2020/21 Capital Programme have been updated and are set out below. The indicators are split into General Fund (non-HRA) and HRA and compare the forecast indicators based on the updated Programme to the original budgeted indicators.

Capital Expenditure	**2020/21 Budget £000**	**2020/21 Forecast £000**
General Fund (non HRA)	155,645	113,309
HRA	63,170	22,957
Total	**218,815**	**136,266**

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

Capital Financing Requirement	**2020/21 Budget £000**	**2020/21 Forecast £000**
General Fund (non HRA)	697,307	654,788
HRA	183,435	150,547
Total	**880,742**	**805,335**

4.6.3 The ratio of financing costs to net revenue stream is the percentage of the revenue budget set aside each year to service debt-financing costs. The tables below set out these ratios for the General Fund and HRA. The General Fund Ratio to Net Revenue Stream indicator increase is largely due to the additional temporary borrowing taken towards the end of the previous financial year and start of this financial year and subsequent increase in borrowing costs.

General Fund	2020/21 Budget £000	2020/21 Forecast £000
Total Financing Costs	250,978	250,978
Ratio to Net Revenue Stream	**8.98%**	**9.44%**

HRA	2020/21 Budget £000	2020/21 Forecast £000
Total Financing Costs	54,452	54,452
Ratio to Net Revenue Stream	**10.79%**	**10.78%**

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 the key achievements against Shared Priorities (Section 1) and analysis of corporate performance for 2020/21 (Section 2);
c) Approve the virements to the Revenue Budget set out in section 3.2;
d) Note the Cash Limit and Non-Cash Limit forecast positions for 2020/21 as set out in section 3.3;
e) Note the Dedicated Schools Grant, Housing Revenue Account and Collection Fund forecast positions as set out in sections 3.4, 3.5 and 3.6;
f) Note the appropriations to/from reserves and balances as set out in section 3.7 and note the resulting reserves and balances position as at 31 October 2020;
g) Note the financial impact of the Covid-19 pandemic set out in section 3.8;
h) Note the position for the 2020/21 Capital Programme as set out in section 4.1;
i) Note the changes and re-phasing of capital schemes during the quarter as set out in 4.2 to 4.4;
j) Approve the resourcing of the capital programme as set out in section 4.5;
k) Approve the 2020/21 prudential indicators as set out in section 4.6; and
l) Identify key areas for further investigation and responsibility for taking forward corrective action to address any existing or outturn issues or risks.

Appendices

1. 2020/21 Revised Budget as at 31 October 2020
2. 2020/21 Housing Revenue Account Forecast as at 31 October 2020
3. Reserves and Balances as at 31 October 2020