

2021/22 QUARTER 1+ BUDGET MONITORING UPDATE

Report of the Deputy Chief Executive (Section 151 Officer) and Cabinet Member for Resources, Commissioning & Governance.

1. INTRODUCTION AND BACKGROUND

- 1.1 The purpose of the report is to provide an update on the revenue budget forecast outturn for the period to the end of July 2021 (Quarter 1+). The report also provides an update on the Dedicated Schools Grant, Housing Revenue Account (HRA) and updates to the Capital Programme.
- 1.2 Mid-year Portfolio and Performance Resource Reports (PPRRs) will be presented to scrutiny committees in November. These reports will provide further updates to the in-year budget monitoring position for each portfolio and take account of budget adjustments approved in this report.

2. REVENUE BUDGET

- 2.1 This section of the report sets out the Quarter 1+ Revenue forecast outturn position. It includes:
 - Details of the revenue budget adjustments made since the budget was approved at the Council meeting on 25 February 2021;
 - A summary of the revenue budget and forecast outturn position for the Council; and
 - Details of the revenue forecast outturn position with regard to Cash Limit budgets, Non-Cash Limit budget, Dedicated Schools Grant (DSG) and the Housing Revenue Account (HRA).

Revenue Budget Adjustments

- 2.2 The following table summarises the changes to the revenue budget that have arisen during the first quarter of 2021/22.

2021/22 Revised Budget as at 31 July 2021

	Approved Budget £000	Revised Budget 31/07/21 £000	Increase (Reduction) £000
Cash Limits	195,682	196,863	1,181
Non-Cash Limits	77,142	76,145	(997)
Total	272,824	273,008	184

- 2.3 The original revenue budget set in February has been updated to reflect the additional Public Health Grant allocation (£0.184m) announced after the budget was set. The grant is accounted for within the Business Rates Retention Scheme and therefore is part of the revenue financing resources. An adjustment has been made

to increase the resources and a corresponding increase to the Cash Limit budget within the Adult Care and Health Portfolio resulting in the net revenue budget increasing to £273.008m.

- 2.4 In addition, there has been an allocation of corporate contingency budgets of £0.997m during the quarter, which were earmarked in the Medium-Term Financial Plan (MTFP) to support inflationary cost increases which have now been realised.
- 2.5 A breakdown of the virements during the quarter 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**
Inflation Allocations	V	997	NCL	VAR	P
Planning - Business Support	BR	194	RCG	E&R	P
Public Health Grant	V	184	#	AC&H	P
SEND Transport Staff	BR	109	CFS&E	RCG	P
Social Care Grant Adjustment	BR	100	IN	AC&H	P
Digital by Design Savings	V	50	NCL	RCG	P
Digital Integration	BR	38	RCG	CF&E	P
Town Hall Reception	BR	25	RCG	CF&E	P

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

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

** P = Permanent and T = Temporary

= Revenue Budget Control Total

2021/22 Quarter 1+ Revenue Forecast Outturn Position

- 2.6 The Quarter 1+ forecast outturn position for the Council's revenue budget is a surplus of £3.336m as set out in the table below. Portfolio cash limits are balanced following the provisional allocation of £8.531m from the Covid-19 Financial Scarring Impact contingency to reflect the additional costs or income reductions faced by individual portfolio cash limits.

2021/22 Forecast Revenue Outturn as at 31 July 2021

Portfolio	Original Budget £000	Revised Budget £000	Forecast Outturn £000	(Surplus)/ Deficit £000
<u>Cash Limits</u>				
Adult Care and Health	98,011	98,495	98,495	0
Children, Family Services and Education	44,511	44,402	44,402	0
Citizen Focus and Engagement	4,640	4,703	4,703	0
Economy and Regeneration	2,015	2,209	2,209	0
Inclusive Neighbourhoods	673	573	573	0
Resources, Commissioning and Governance	24,502	25,151	25,151	0

Sustainable Stockport	21,330	21,330	21,330	0
Total (Cash Limits)	195,682	196,863	196,863	0
Pay Inflation	168	168	168	0
Inflation - Price and National Living Wage	2,907	1,960	1,960	0
Demand Pressures	1,472	1,472	1,472	0
Apprenticeship Levy	411	411	390	(21)
Covid-19 Financial Scarring Impacts	11,197	11,197	8,531	(2,666)
Other Non-Cash Limits	60,987	60,937	60,288	(649)
Total (Non-Cash Limits)	77,142	76,145	72,809	(3,336)
Total (Cash & Non-Cash Limits)	272,824	273,008	269,672	(3,336)
Financed by				
SMBC Council Tax	151,005	151,005	151,005	0
SMBC SC Precept	16,889	16,889	16,889	0
BR District Share	77,456	35,957	35,957	0
Business Rates - Tariff	(16,673)	(16,577)	(16,577)	0
BR Section 31 Grants	11,816	53,315	53,315	0
New Homes Bonus	881	881	881	0
Better Care Fund Allocation	6,333	6,333	6,333	0
Social Care Grant	7,841	7,841	7,841	0
Lower Tier Services Grant	317	317	317	0
Col. Fund Balance Distribution	1,012	1,012	1,012	0
Col. Fund 100% BR Pilot Benefit	3,622	3,622	3,622	0
Covid-19 General Support Funding 2021/22	7,629	7,629	7,629	0
Covid-19 Col. Fund Support Funding	3,432	3,432	3,432	0
Covid-19 SFC Income Loss Compensation	494	494	494	0
Covid-19 Col. Fund 2020/21 Deficit Deferral	(2,504)	(2,504)	(2,504)	0
App from Reserves – Col. Fund Impact Smoothing	1,400	1,400	1,400	0
App from Reserves	1,874	1,962	1,962	0
	272,824	273,008	273,008	0
	0	0	(3,336)	(3,336)

- 2.7 The financing budgets have been updated to reflect the additional business rates section 31 grants received in 2020/21 (and appropriated to reserves). The grants are to compensate for the loss of business rates income as a result of the extended retail relief given to the hospitality and leisure sector and nursery providers to support them through the pandemic. The legislation that governs Collection Fund accounting means the related deficit as a result of the loss of business rates income in-year will be charged to the Council's General Fund in 2021/22. As a result, the BR district share of income originally budgeted for has been reduced accordingly and equalised by an increase in the section 31 grants including the amounts held in reserves from 2020/21.

Cash Limit

- 2.8 Cash Limit Portfolios are projecting a balanced position at this stage. However, it must be stressed that this has only been achieved through utilising the Council's Covid-19 scarring contingency set aside in the 2021/22 budget to mitigate the

income losses expected across the Council due to the pandemic. Members will recall £11.197m of contingency was set aside for this purpose and the current forecast anticipates an indicative utilisation of £8.531m against Resources, Commissioning and Governance portfolio (£5.005m), Sustainable Stockport portfolio (£3.198m) and Citizen Focus and Engagement portfolio (£0.328m) . This means £2.666m is available to address any further Covid-19 related financial impacts identified throughout the remainder of the year. It must also be stressed that current estimates are only based on actual data to the end of July and therefore the estimated losses could increase and reduce or eliminate the current overall surplus being reported.

Adult Care and Health Portfolio

- 2.9 The Portfolio is reporting a breakeven position against a budget of £98.495m in 2021/22.

Adult Social Care (ASC)

- 2.10 The service is reporting a breakeven position based on Quarter 1+ information, against a budget of £87.327m.
- 2.11 There continues to be both recurrent and non-recurrent financial challenges on the service due to Covid-19. This indicative financial impact of £1m includes:
- Additional commitments from the Hospital Discharge Programme above what can be claimed via NHS funding, to support commissioning of short and longer terms hospital discharge / prevented admission services.
 - Further staffing costs for internally provided services, due to staff isolating and covering staff rotas aligned to accrued annual leave balances.
 - Impact on non-residential care income for clients who are yet to fully return to services that they were in receipt of prior to Covid-19 and further rephasing of charging at cost of services.
- 2.12 These additional commitments are being offset by a combination of utilisation of anticipated in year Better Care Fund inflationary uplifts aligned to the Council and an indicative drawdown of non-cash limit contingencies aligned to ASC.
- 2.13 Further financial pressures exist within ASC care management provision, predominantly within care home and home care settings. This is to meet demand, which is increasing to support clients requiring services, in part aligned to hospital discharges. Work continues within ASC to ensure clients follow their optimum pathway for ongoing commissioned services, at the most cost-effective rates of provision.
- 2.14 The service continues to support the local care sector through mandatory and discretionary allocations of the Infection Control Fund and Rapid Testing Fund. Grants allocations to the Council of £3.039m have been received for this financial year covering April 21 – September 21 (Round 3 and Round 4).

Public Health

- 2.15 The service is forecasting a breakeven position based on Quarter 1+ information, against a budget of £11.168m. This includes a £0.193m in year surplus, which

would be transferred to the Public Health reserve at outturn to support the breakeven position.

- 2.16 The surplus is predominantly due to vacancies and permanent posts being funded temporarily by non-recurrent Covid-19 grants.
- 2.17 Monitoring continues of the £12.245m Contain Outbreak Management Fund (COMF) which includes the Test and Trace grant covering 2020/21 and 2021/22. This is to ensure that the remaining grant balances can be committed in year through investments made into COMF Schemes and funding services which have been unable to deliver their usual provision due to Covid-19. This increases the flexibility of the Council's financial resources into 2022/23.

Children, Family Services and Education

- 2.18 The Portfolio is reporting a balanced position against a budget of £44.402m in 2021/22. Children and Family Services are forecasting a deficit of £0.626m as at Quarter 1+. There are deficits in several areas including £0.246m in Looked After Children (LAC) and Section 17 (S17) Avoid need to accommodate, £0.395m in Children with Disabilities and £0.114m in Youth Offending Service in relation to the LAC remand grant.
- 2.19 The deficit in S17 is due to an increase in higher cost support packages to prevent young people with complex needs from becoming looked after. The deficit in Children with Disabilities relates to an increase in both respite care provision and direct payments as a result of group provision for short breaks for Children with Disabilities not being able to take place due to Covid-19. There are currently 81 packages of support agreed for level 3 cases and 71 packages of support for level 2 cases compared with 66 and 65 respectively at Q1 of 2020/21.
- 2.20 The forecast deficit of £0.114m against the LAC Remand grant reflects costs over and above the grant allocation and is based on current remand cases and additional cases estimated for the remainder of the year. The remand grant allocation for 2021/22 is £41,781 and is based on bed night usage for the period 2017/18 to 2019/20. Therefore, the allocation is not sufficient to cover the costs in the current financial year.
- 2.21 There is a surplus reported on Children Looked After placements at Q1+ of £0.281m. Additional funding of £1m was allocated to the service between 2020/21 and 2021/22 to address the 2020/21 deficit and continued forecast increase as a result of the pandemic. Further contingency has been agreed to be allocated on a non-recurrent basis to address the in-year deficit to balance the portfolio.
- 2.22 The Education service areas are forecasting a surplus of £0.118m at Quarter 1+, which is largely due to a national shortage of staff and ability to recruit within the Educational Psychology service. In addition, a surplus is forecast of £0.075m within the 14-19 Service relating to apprenticeships.

Citizen Focus and Engagement

- 2.23 The Portfolio is reporting a balanced position against a budget of £4.703m in 2021/22, including the utilisation of Covid-19 scarring of £0.328m to balance.

- 2.24 The underlying deficit is due to the continued reduction in income from the events team and to a lesser extent, registrars as a result of the restrictions in place throughout April to July. As restrictions are lifted, activity will be monitored to assess how much these areas will recover and increase trading to a suitable level to balance the budget.

Economy & Regeneration

- 2.25 The Portfolio is reporting a balanced position against a budget of £2.209m in 2021/22. Forecast income losses are anticipated within Building Control (£0.030m) and from the services at Stockport Business and Innovation Centre and Merchants House (£0.056m), which are both as a result of Covid-19 along with additional Covid-19 expenditure. These pressures are expected to be offset by surpluses and expenditure savings elsewhere in the portfolio.

Inclusive Neighbourhoods

- 2.26 The Portfolio is reporting a balanced position against a budget of £0.573m in 2021/22.

Resources, Commissioning and Governance

- 2.27 The Portfolio is reporting a balanced position against a budget of £25.151m in 2021/22. This is only achieved through the indicative utilisation of the Covid-19 financial scarring contingency of £5.005m to address the expected income losses from the Council's strategic commercial investments in the Investment and Development Account. Further analysis of income estimates will continue to be completed following the easing of lockdown restrictions, which may result in a more positive or adverse position.

Sustainable Stockport

- 2.28 The Portfolio is reporting a balanced position against a budget of £21.330m in 2021/22. This is only achieved through the indicative utilisation of the Covid-19 financial scarring contingency of £3.198m due to forecasted significant deficits within Leisure coupled with continued income losses from sales fees and charges, which is mainly Parking within the portfolio.

Non-Cash Limit

- 2.29 The overall Non-Cash Limit is forecasting a surplus of £3.336m of which £2.666m is the balance from the Covid-19 Financial Scarring Impact contingency as highlighted earlier in the report. In addition to this, there is a surplus in relation to waste collection costs due to this being funded temporarily by non-recurrent Covid-19 grants and a surplus budget due to changes in the waste disposal levy.

Dedicated Schools Grant (DSG)

- 2.30 The Quarter 1+ forecast is a £1.282m deficit on the total DSG budget. This is all contained within the high needs block and relates to increase costs, demand for specialist services, support post the pandemic, largely relating to increase in mainstream pupils with high needs funding attached, increased placements in high costs external placements (8 since budget setting), requirement to create additional specialist setting capacity (i.e. Heaton school satellite provision at Cheadle and new resourced provision at Bredbury Green) to meet pupil needs and technical funding adjustment relating to import and export of post 16 students updated using February 2021 data.

- 2.31 The above is in addition to the cumulative £1.871m net deficit held as at 1 April 2021 and provides for an estimated cumulative deficit forecast at 31 March 2022 of £3.153m.

Repayment of the DSG deficit will be managed alongside the phased plan of cultural and operational change emanating from the DSG Review / Implementation proposals over the coming years.

- 2.32 DfE recently announced the split (Schools/SEND) of the indicative DSG funding levels for 2022/23, which provides an additional c£3.1m of additional resource from April 2022 in the high needs block.

2021/22 Reserves Policy

- 2.33 The Council's Reserve Policy, also presented on this agenda, has been updated to ensure the Council's earmarked reserves continue to be aligned to the Council's corporate and strategic objectives. The Reserves Policy is reviewed on an annual basis to ensure the judgements for establishing what available resources are earmarked against are informed and appropriate in relation to the Council's financial challenges. The Reserves Policy will be presented for comment to the Corporate Resource Management and Governance Scrutiny Committee at its meeting on 7 September 2021.

Housing Revenue Account

- 2.34 The HRA is forecasting a surplus of £0.553m as set out at Appendix 2 and is in line with the budget. 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 Right to Buys (RTBs) expected.
- 2.35 The favourable variances are offsetting the lower rent from new build development including the later than budgeted completion on Hexham Close. A higher than budgeted brought forward balance from 2020-21 is being ring-fenced for Project Phoenix

3. CAPITAL PROGRAMME

- 3.1 The Council's 2021/22 three-year capital programme is £327.217m, with planned expenditure of £173.966m in 2021/22.

2021/22 Three Year Capital Programme

Portfolio	2021/22 Programme £000	2022/23 Programme £000	2023/24 Programme £000	Programme 2024/25 Onwards £000
Adult Care and Health Children, Family Services and Education	199	192 24		
Economy and Regeneration Resources, Commissioning and Governance	63,523 59,600	45,433 14,054	21,655 1,805	34,493
Sustainable Stockport	50,644	46,065	24,023	75,066

TOTAL	173,966	105,768	47,483	109,559
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3.2

The table below provides the position of the 2021/22 Capital Programme as at Quarter 1+. There is accrued expenditure of £33.766m as at the end of Quarter 1+ and a further £7.746m spend is committed to capital schemes. By the year end, the Council is aiming to achieve a total of £173.966m spend on its Capital Programme. Details of the changes made to the Capital Programme during Quarter 1+ are set out at paragraphs 4.3 and 4.4.

2021/22 Quarter 1+ Capital Programme

Portfolio	2021/22 Programme £000	Expenditure Quarter 1+ £000
Adult Care and Health	199	
Economy and Regeneration	63,523	20,193
Resources, Commissioning and Governance	59,600	3,214
Sustainable Stockport	50,644	10,359
TOTAL	173,966	33,766

3.3

There has been a net increase in the overall three-year Capital Programme of £28.222m during the Q1+ reporting period and this is largely made up of a number of new funding allocations (£24.399m) together with the re-phasing forward of £3.823m of funding from beyond the current three-year programme. The most significant new funding allocations in 2021/22 include the following:

- £10.397m directly funded borrowing in connection with Mayoral Development Corporation activities, largely strategic site acquisitions for Town Centre West Regeneration (Economy and Regeneration);
- £6.146m of grant funding for School Capital Schemes (Resource, Commissioning and Governance);
- £5.846m grant funding for the Public Sector Decarbonisation Scheme (Resources, Commissioning and Governance);
- £0.767m additional directly funded borrowing for Stockport Homes Limited's Affordable Homes scheme (Sustainable Stockport); and,
- £0.738m of Commuted Sums and Revenue Funding (RCCO) for Schemes in Parks (Sustainable Stockport).

3.4

Capital Schemes are reviewed regularly, and the Programme adjusted accordingly. Since the start of the financial year, a net total of £17.255m has been re-phased from the 2021/22 Capital Programme to 2022/23 and later. The more significant schemes being re-phased from 2021/22 as well as those relating to later years, include the following (the re-phasing is from 2021/22 to 2022/23 unless otherwise indicated):

- £1.783m of grant funding relating to the Mayoral Walking and Cycle Challenge Fund (Economy and Regeneration);
- £0.794m of directly funded borrowing for Merseyway Development has been re-phased, £0.477m to 2022/23 and £0.317m to 2023/24 (Economy and Regeneration);

- £0.545m of directly funded borrowing for Solar PV Panels schemes has been re-phased, £0.191m to 2022/23 and £0.354m to 2023/24 (Economy and Regeneration);
- £3.823m of unsupported borrowing for Asset Management Plan schemes has been brought into the 2021/22 three-year Capital Programme from 2024/25 and beyond and allocated, £0.819m in 2021/22, £1.199m in 2022/23 and £1.805m in 2023/24 (Resources, Commissioning and Governance);
- £3.009m in capital receipts for the Re-provision of the Dialstone Facility (Resources, Commissioning and Governance); and,
- £11.641m of mostly directly funded borrowing for HRA New Build Schemes has been re-phased, £5.040m to 2022/23 and £6.601m to 2023/24 (Sustainable Stockport).

3.5 The changes to the Capital Programme during Quarter 1+ are set out by Portfolio in the table below:

Portfolio	Programme as at 31 Mar 2021 £000	Additional /Reduced Programme £000	Virement/ Re-phasing £000	Programme as at Quarter 1+ £000
<u>2021/22</u>				
Adult Care and Health	199			199
Children, Family Services and Education	0			0
Economy and Regeneration	56,104	10,744	(3,325)	63,523
Resources, Commissioning and Governance	49,848	11,765	(2,013)	59,600
Sustainable Stockport	61,027	1,534	(11,917)	50,644
Total	167,178	24,043	(17,255)	173,966
<u>2022/23</u>				
Adult Care and Health	192			192
Children, Family Services and Education	24			24
Economy and Regeneration	42,779		2,654	45,433
Resources, Commissioning and Governance	10,023		4,031	14,054
Sustainable Stockport	40,749		5,316	46,065
Total	93,767	0	12,001	105,768
<u>2023/24</u>				
Adult Care and Health	0			0
Children, Family Services and Education	0			0
Economy and Regeneration	20,984		671	21,655
Resources, Commissioning and Governance	0		1,805	1,805
Sustainable Stockport	17,066	356	6,601	24,023
Total	38,050	356	9,077	47,483

3.6 The following table sets out the resources available to fund the 2021/22 Capital Programme:

Resources	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 onwards £000
Capital Grants	67,904	24,978	20,502	14,239
Directly Funded Borrowing	43,768	38,892	4,841	51,636
Unsupported Borrowing	44,459	17,134	4,845	416
Capital Receipts	896	4,967	4,879	16,788
External Contributions	1,713	23	0	0
Commuted Sums	1,723	1,070	0	0
Revenue Contributions (RCCO)	1,596	6,559	28	13,451
HRA funding from MRR	11,907	12,145	12,388	13,029
TOTAL	173,966	105,768	47,483	109,559

4. RECOMMENDATIONS TO THE CABINET

Cabinet is asked to:

- a) Approve the virements to the Revenue Budget;
- b) Note the Cash Limit and Non-Cash Limit forecast positions for 2021/22 as at Quarter 1+;
- c) Note the HRA and DSG forecast positions for 2021/22 as at Quarter 1+;
- d) Note the forecast position for the 2021/22 Capital Programme; and
- e) Note the changes to the Capital Programme and re-phasing of schemes during Quarter 1+.

5. RECOMMENDATIONS TO THE SCRUTINY COMMITTEE

The Scrutiny Committee is recommended to comment on and note the report.

BACKGROUND PAPERS

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Jonathan Davies on 0161 218 1025 or by email at jonathan.davies@stockport.gov.uk