

## CABINET ITEM COVERING SHEET PROFORMA

**AGENDA ITEM**

**REPORT TO CABINET**

**17 JANUARY 2008**

**REPORT OF  
CORPORATE  
MANAGEMENT TEAM**

### **COUNCIL DECISION**

Lead Cabinet Member – Councillor Kenneth Lupton, Leader

1. Summary

The report provides the most up to date position of the Medium Term Financial Plan (MTFP) taking into account the provisional settlement. It outlines the way forward for consultation on Council Tax setting and utilisation of any Headroom for 2008/09. In addition a strategy is proposed for the two remaining years of the plan.

2. Recommendations

**General Fund**

1. Members note the Provisional Financial Settlement.
2. Members note the consultation strategy for 2008/09 budget setting.
3. Members note the suggested strategy for the MTFP and 2008/09 onwards.

**Capital**

4. Members note the current status of capital resources and the need to prioritise capital schemes in principle at the Council meeting in February.

**HRA**

5. The proposed rent strategy be approved.

3. Reasons for the Recommendations/Decision(s)

The Council is required to approve a balanced budget and set a tax for 2008/09 before the statutory deadline of 11 March 2008.

The report identifies those decisions which need to be taken at an earlier stage for logistical reasons (rent increases) and provides the Council with details of inescapable pressures which, it is suggested, need to be approved as a priority.

4. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public,

with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

**Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.**

**AGENDA ITEM**

**REPORT TO CABINET**

**17 JANUARY 2008**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

**COUNCIL DECISION**

**REVIEW OF THE MEDIUM TERM FINANCIAL PLAN 2007/08**

**SUMMARY**

The report provides the most up to date position of the Medium Term Financial Plan taking into account the provisional settlement. It outlines the way forward for consultation on Council Tax setting and utilisation of any Headroom for 2008/09. In addition a strategy is proposed for the two remaining years of the plan.

**RECOMMENDATIONS**

**General Fund**

1. Members note the Provisional Financial Settlement.
2. Members note the consultation strategy for 2008/09 budget setting.
3. Members note the suggested strategy for the MTFP for 2008/09 onwards.

**Capital**

4. Members note the current status of capital resources and the need to prioritise capital schemes in principle at the Council meeting in February.

**HRA**

5. The proposed rent strategy be approved.

**DETAIL**

1. The Council is required to take a range of decisions in advance of each new financial year with a statutory deadline for a balanced budget by 11 March 2008.
2. This report provides briefing papers that will facilitate decisions at Special Council meeting on 27 February 2008.
3. The briefing paper attached contains sections on:
  - Provisional 2008/09 settlement and details of additional grant received
  - General Fund position
  - Capital
  - Housing Revenue Account Rent Strategy

## **FINANCIAL IMPLICATIONS**

4. The report supports a HRA with surpluses in line with Council targets. It also proposes revisions to the Medium Term Financial Plan to reflect a number of high priority pressures.
5. In line with the Local Government Act 2003, the report recommends the approach to a robust, balanced budget. The timescales identified in the report are within the requirements laid down in Section 30 of the Local Government Finance Act 1992.

## **RISK ASSESSMENT**

6. The update of the Medium Term Financial Plan is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

## **COMMUNITY STRATEGY IMPLICATIONS**

7. The report supports the Community Strategy and Council Plan.

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

8. A series of consultation events will be taking place between January and February 2008. These will involve the Viewpoint Business Forum, Renaissance and Stockton Members. Details of the events are in the main report.

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**Corporate Director of Resources**

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Background Papers  
Ward(s) and Ward Councillors  
Property

**MEDIUM TERM FINANCIAL PLAN  
AND BUDGET  
2008/09**

## BACKGROUND

### Medium Term Financial Plan

1. On 22 November 2007, Cabinet received a report detailing the current anticipated financial position of the General Fund for the period of the Medium Term Financial Plan. The projected overall Managed Surplus (MS) / Managed Commitment (MC) position of the General Fund was as follows:

Projected (MS) / MC position for 30 September 2007

	31/3/08 £000s	31/3/09 £000s	31/3/10 £000s
(MS) / MC	(3,529)	(976)	(47)

### Provisional Settlement

2. The settlement on 6 December 2007 was the first three-year settlement that the Government has issued. A briefing note on the settlement was sent to Members on 10 December 2007 and it is attached at **Appendix A**. The deadline for response to the settlement was 8 January 2008. Given this was before this report is being presented to Cabinet authorisation for a delegated response was given by Cabinet on 22 November 2007. Attached at **Appendix B** is that response.
3. The main focus of the settlement is the amount of grant Stockton will receive over the next 3 years to support its revenue expenditure in its General Fund activities. The table below details these amounts and gives a comparator to the national increase.

Increase	SBC	National Average	North-East Average
2008/09	4.5%	3.5%	3.4%
2009/10	3.2%	2.8%	2.6%
2010/11	2.8%	2.6%	2.3%

This illustrates that in terms of formula grant Stockton will receive more over the next three years than the national average. This is mainly due to the Government acknowledging in our consultation response that some of its mechanisms for allocating this grant needed to be changed to allow a fairer more rational allocation. Unfortunately in starting to acknowledge the amount of resource Stockton should receive to fully fund the core services it delivers, the distribution method continues to clawback a substantial amount of grant to fund other councils who would suffer too greater losses otherwise. This results in Stockton losing £8.4 million of grant that it was due to receive from the original calculation for the three years. Members will see that we have objected to this in the consultation response. In effect we are not being given the amount of money, determined by the Government itself, to carry out our core functions and services. It is only due to the efficiencies the Council has put in place, and will continue to do so, that we can carry these cuts efficiently and still generate headroom for growth and expansion of our future programme. Over the years the Government have been using the increased proceeds from business rates to fund increases in Formula Grant, reducing the amount of Revenue Support Grant, and so giving a windfall benefit to the Treasury. The Council has argued that this trend should be reversed and has suggested that some of these proceeds be used to restore LABGIS to at least its previous level.

4. A further aspect of the settlement is a change in the Local Authority Business Growth Incentive Scheme. During the last three years this scheme has distributed £1 billion nationally with Stockton receiving £1.5 million in the last financial year. In 2008/09 there will be no funding available at all, with £150 million to be distributed for the next two years on a revised method. Clearly this is a decrease in the overall total and Stockton as one of the recipients, due to its successful business regeneration, will be one of those authorities that loses because of this change. This movement in utilisation of NNDR has been referred to in Paragraph 3 overleaf.
5. The grant stream of Working Neighbourhood Funds is introduced for 2008/09, and is an area where there is still some unresolved issues. The amounts allocated to Stockton are, £3.9 million for 2008/09, £4.7 million for 2009/10 and £4.88 million for 2010/11. The fund is seen as a replacement for the outgoing Neighbourhood Renewal Fund, although unlike its predecessor the Working Neighbourhood Fund is non-ringfenced and is to be allocated by the Council. It does however raise expectations around tackling worklessness. Although no specific targets have yet emerged, previous experience would suggest these are likely, with the possibility they may require Stockton itself to set some stretch targets. This creates a scenario where some of the services previously funded by Neighbourhood Renewal Fund may no longer receive the resource level they previously utilised. An assessment of the impact of the new scheme is being undertaken and further details sought. As a result there may be a need to introduce transitional funding arrangements for those current services affected by the change in emphasis of the new fund. This will have an impact on the headroom levels stated below, if this requirement materialises.
6. In addition to the new Working Neighbourhood Fund, the settlement deals with a further 60 specific grants, 38 of which are part of the new Area Based Grant. Details of these are coming through on a daily basis and are currently being assessed against our expectations.
7. The Government has said it expects Council Tax increases to remain below 5%. It has stated that it is revising the criteria it will use capping for, but not yet issued this revised criteria.

#### Headroom and Pressures

8. The Authority since 1997 has operated its current system of distributing resources within the framework of the MTFP. The impact of ten-years of the one per cent allocations is causing difficulties in some budget areas. In addition the continuing problem of the unavoidable packages of care costs in CESC continues to create budget difficulties. The Authority has consequently undertaken a review of its MTFP to ensure that the budget foundation for 2008/09 onwards is in a sound position to deliver its core services, before further deliberations on the use of resources for growth and additional functions.
9. The Finance Teams via their Budget Clinics, have been undertaking an assessment of those budget pressures that they feel will be constant year on year. Meetings have taken place with the Corporate Directors and Assistant Chief Executive to discuss these. These assessments have concluded that a rebasing of budgets should be undertaken moving funding within Service Groups and requiring an injection of resources as follows:

	<u>£000</u>
Children, Education & Social Care	350
Development & Neighbourhood Services	265
Policy, Performance & Communications	200

10. The next issue is that of the annual increase applied to the baseline resource allocation each year. The current allocation comprises of 4.3% to 'Social Care' budgets, some elements of 'Care for Your Area' receiving increases based on inflation indices and 1% to the remaining budgets (equates to £51.994 million for the latter for 2008/09). If after rebasing, the one per cent increase is still applied it will not be long before those areas currently experiencing difficulties will be in the same position again. By the same token the Council has always acknowledged that the 'social care' areas require an increase above inflation. A solution is therefore needed that meets these requirements but still results in Headroom being available. The proposal is that the 'social care' budgets should receive an increase of four per cent per annum, with all other areas due to an increase receiving two per cent per annum. The service area of CFYA will continue to receive its automatic growth increase for the period of this MTFP, at which time this will be reviewed.
11. In determining its MTFP for 2007/08 the Council allocated resources to the implementation of Building Schools for the Future up until the end of the financial year 2009/10. The detailed assessments and preparation that have taken place in the intervening period have made it apparent that this sum of money, £1 million per annum, will be required on an ongoing basis. This needs to be taken into account in presenting the MTFP.
12. The Council has successfully concluded its Single Status negotiations in 2007, with an implementation date of 1 April 2008. An Equal Pay Settlement to cover the period 1 April 2006 to 31 March 2008 was offered to employees at events on 4 and 5 December of this year. These resulted in approximately 95% of employees accepting the offer. The outcome of the above is that Stockton can feel reasonably confident it will contain the impact of Single Status and Equal Pay within the resources it has reserved for this issue. The next twelve months will determine whether this is in fact the case. Implementation at other authorities has shown that the first year after implementation is the period when the majority of additional costs to the original agreement arise. These have been caused by the impact of reviews/appeals and legal actions taken by 'No win – No fee' lawyers on behalf of employees who challenge the agreement. It is proposed therefore, that the level of funds allocated to accommodate this issue is examined in more depth in the budget setting process for 2009/10.
13. Taking into account all of the proposals above and the current information we have on the provisional settlement, the available headroom figures for 2008/09 onwards are detailed below:

	Ongoing £m	One-off £m	Balances (one-off) £m	Total £m
2008/09	2.694	1.641	2.624 * <sup>1</sup>	6.959
2009/10	3.684	0.632		4.316
2010/11	4.859 * <sup>2</sup>	0.343		5.202

\*<sup>1</sup> Assumes that £4 million has been reserved for the purchase of Chandlers Wharf.

\*<sup>2</sup> Takes into account the allocation of £1 million for Building Schools for the Future.

These figures are based upon an assumed Council Tax increase of 4.5% for all 3 years from 2008/09 onwards. In 2008/09 a 4.5% increase would amount to 95p per week at Band D.

14. Due to the fact that it is already proposed there is a rebasing of budgets to appropriate levels and an increase from 1% to 2% per annum on resource allocations, it is not anticipated that any inflationary pressure bids will emerge from these areas to consume



any of the available headroom. Bids against the ongoing monies should be from new initiatives, preferably linked to priorities in the Community Strategy/Council Plan, Legislative requirements or changes in demographics/demand that can be demonstrated and evidenced.

15. Clearly the production of these bids are not a static one-off evaluation, but a consequence of the ongoing dynamic service planning process that commenced its formal initiation in September 2007. Consequently detailed at **Appendix C** is a schedule of those pressures that have already been identified as possible contenders for allocation of additional resource. These will need to go through the formal process of assessment outlined above to allow Members to assess their priority.
16. It can be seen that in addition to the ongoing headroom one-off resources and balances are also available. These are short term and in order to maximise their effect it is suggested that in the main these should be used for initiatives which give longer term gains. Criteria associated with approval might be around:
  - Leverage of significant additional external funding
  - The generation of future additional revenue streams
  - The generation of future additional capital streams

The Council during its Unitary status has delivered a programme of substantial regeneration within the Borough transforming its appearance significantly. Its vision for the future is ambitious, particularly in terms of regeneration. Its track record in delivery of such transformation is to initiate such projects by an injection or “pump priming” of its own resources levering in substantial external funds along the way. With its limited capital resources this process is set to continue, regeneration initiatives are therefore significant contenders for the one-off funding. Other examples could be initiatives that require up-front resources in order to drive efficiencies at a later date on an “invest to save” type basis.

In addition, as mentioned at paragraph 5, consideration will need to be given to the situation around the previously funded Neighbourhood Renewal Fund initiatives; the one-off funding may be required to assist this process in the short term.

17. At this point in time, while this report gives a clear indication of the direction the Council wishes to take in progressing the MTFP for 2008/09 onwards, it needs to be noted that before the final formal adoption in February 2008 there are bound to be changes in circumstances that need to be taken into account before finalisation of the plan.

### Capital

18. Detailed at **Appendix D** are those capital allocations the Council has received to date from the Government, the picture on these will grow clearer through the budget cycle. In the main these resources must be used in the ringfenced areas the money is allocated against.
19. With regard to its own capital resources an assessment of what will be available in addition to the current Capital Plan is being undertaken. There will be a considerable shortfall on the ambitious programme the Council has planned and the utilisation of revenue funds to support and pump prime capital works to lever in additional resources as proposed at (16) above will go some way to the achievement of the Council’s vision.

### HRA Rent Strategy

20. There has been a change from the Government in its target date for rent convergence. The 2008/09 Draft Housing Subsidy settlement has proposed that this is delayed until

2016/17. The previous target date was 2012. The proposed average rent increase for 2008/09 is £3.40, equivalent to a 6.22% increase based on Government guidelines. Further details are attached at **Appendix E**.

**BRIEFING****THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2008/09 to 2010/11  
(PROVISIONAL)**

1. The provisional Local Government Finance Settlement for 2008/09 to 2010/11 was issued by the DCLG on 6<sup>th</sup> December 2007. This is the first three-year multi-year settlement.
2. In line with Government policy on multi-year settlements, the provisional settlement covers the next three financial years. This is in alignment with CSR 2007.

**3. NATIONAL LEVEL – 2008/09-2010/11 SETTLEMENT****Key Features**

4. The key features of the provisional settlement for 2007/08 are:
  - Aggregate External Finance, the total amount of Government support to local authorities (including schools), is proposed to increase by 4.0% in 2008/09, 4.4% in 2009/10 and 4.3% in 2010/11. This compares to an increase of 4.9% in AEF in 2007/08.
  - In total, Formula Grant, (revenue support grant and business rate income) will increase by 3.6% in 2008/09, 2.8% in 2009/10 & 2.6% in 2010/11. This compares to a 3.7% increase in 2007/08. As stated above the amount financed by business rates has increased by £1 billion, with consequent adjustment in the amount funded from Revenue Support Grant.
  - In line with previous settlements there is a continued shift in the balance of funding away from Revenue Support Grant (RSG) and towards Business Rates. In 2008/09 £2 bn of extra funding is derived from Business Rates whereas RSG sees a fall (on an adjusted basis) of £1,1 bn. There are no corresponding figures available for 2009/10 & 2010/11.
  - The “four block grant system” remains the method of distributing grant to local authorities.
  - Damping continues to play an important role in the provisional settlement. For services such as ourselves with Social Services and Education responsibilities the proposed floors for the next three years are as follows:-

2008/09	2%
2009/10	1.75%
2010/11	1.5%

This compares to a floor of 2.7% in 2007/08.

- To pay for these damping arrangements, authorities in 2008/09 will lose 64p for every £ they receive above the 2% floor, compared to 69p in 2007/08. The figures in subsequent years are 72p in 2009/10 and 71p in 2010/11.
- Following consultation earlier in the year, the following formula changes have been made:-

- 1) damping within the Children's & Younger Adults elements of the Social Services Formula is proposed to be abolished.
  - 2) there has been a change in the balance between needs & resources within the 4 Block Grant System in favour of needs. This benefits those authorities with higher needs and disadvantages those authorities with higher tax bases.
  - 3) there has been a revision to the low income adjustment for social services for older people.
  - 4) The rates and labour elements of the area cost adjustment has been updated.
- The Government has reiterated its expectation that they expect council tax increases to be substantially less than 5%.
  - The deadline for written responses to the DCLG is 8<sup>th</sup> January 2008.
  - There are no details as yet as to the date of the final settlement.
  - **Specific Grants** – at a national level the Government has announced details of most specific grants. These are proposed to increase by 4.1% in 2008/09, 5.2% in 2009/10 & 5.2% in 2010/11.
  - **Area Based Grant** – the CSR 2007 announced details of a new Area Based Grant which comprised a number of specific and special grants. The provisional settlement has provided details of the total sum available £2.993bn in 2008/09, £4.829 bn in 2009/10, & £4.742 bn in 2010/11 but at the time of writing the briefing no further breakdown is available.
  - **Adult Social Care** - as previously announced, grants for access and systems and delayed discharges are being moved from specific grant to Formula Grant. There is a new ring-fenced grant of £82m in 2008/09, £192m in 2009/10 & £237m in 2010/11 for social care reform.
  - **Supporting People** – allocations for the next three years have also been announced. Total Supporting people Grant will be £1.686 bn in 2008/09, £1.666 bn in 2009/10 and £1.636 bn in 2010/11. This compares to £1.696 bn in 2007/08. These will be included in the area based grant allocations from 2009/10.
  - **Concessionary Fares** - The Department for transport announced the distribution method that they will use to distribute the Special Grant to support the extension of free travel for the over 60's and some disabled people from April 2008. The factors taken into account are eligible population, bus patronage, overnight visitors and retail floor space.
  - **Working Neighbourhoods Fund** – this replaces the Neighbourhood Renewal Fund. Funding will fall from £525m in 2007/08 to £450m in 2008/09, £500m in 2009/10 & £500m in 2010/11. An additional £50m reward grant will be available in 2010/11. The Working Neighbourhoods Fund will be distributed through Area Based Grant and will target unemployment in the most deprived areas. 66 authorities will receive WNF for 3 years, the authorities that currently receive NRF but don't qualify for WNF will get two years of transitional funding.

## 5. LOCAL SETTLEMENT

## Headline

6. Stockton has received a headline increase in grant of 4.5% in 2008/09 which is above the average increase for England & Wales of 3.6%. In cash terms, Stockton received an increase of just under 9.3%. This is explained in the table below:-

		Increase over 2008/09
2007/08 Formula Grant (cash)	£67.707m	
Adjustments:-		
Add Transfer of Specific Grants into Formula Grant	<u>£ 3.106m</u>	4.5%
Adjusted 2007/08	£70.813m	
Increase in Formula Grant	<u>£ 3.219m</u>	
	<u>£74.032m</u>	9.3%

7. In subsequent years Stockton's headline increase is 3.2% (2009/10) & 2.8% (2010/11). This compares to increases for England & Wales of 2.8% & 2.6%.
8. The table below shows an analysis of Stockton's formula grant.

	2008/09 £m	2009/10 £m	2010/11 £m
Relative Needs Amount	50.722	52.020	53.183
Relative Resource Amount	-9.118	-9.699	-10.287
Central Allocation	35.657	36.836	37.967
Floor Damping	-3.229	-2.819	-2.426
<b>Total Formula Grant</b>	<b>74.032</b>	<b>76.338</b>	<b>78.437</b>

This table shows that Stockton's grant will be reduced by £3.2m in 2008/09, £2.8m in 2009/10 & £2.4m in 2010/11. The equivalent reduction in 2007/08 was £1.6m.

9. In paragraph 4 reference was made to the previous settlement where damping occurred in the Social Services needs calculation. This was introduced in 2006/07 as a result of the turbulence caused by methodology changes in this area. The 2008/09 settlement proposes to abandon this. This is a major contributor to the relatively good settlement Stockton has received. The removal of Social services damping is one of a number of methodology changes. The interaction of the Needs and Resources Block together with the overall damping of Formula Grant within the 4 Block Grant System means that it is very difficult to quantify precisely how much extra grant this has generated for Stockton. As more information on the settlement is released by DCLG it may be possible to isolate the effect of this change.
10. Specific Grants/Area Based Grant  
Details of Specific and Area Based Grants are still being received. The latest position is shown in the attached Appendix A.

**Julie Danks**  
**Corporate Director Resources**



**SPECIFIC GRANTS WITHIN AEF**

<b>EDUCATION &amp; CHILDREN PSS</b>	<b>2008/9</b>	<b>2009/10</b>	<b>2010/11</b>
DSG	110,521,000	112,731,000	115,830,000
ETHNIC MINORITY ACHIEVEMENT	154,768	164,892	174,419
MUSIC SERVICES	1,426,000	1,426,000	1,426,000
PLAYING FOR SUCCESS	0		
EXTENDED SCHOOLS	290,135	530,927	748,034
SCHOOLS DEVELOPMENT GRANT	9,212,617	9,212,617	9,212,617
SCHOOL LUNCH GRANT	311,083	311,083	311,083
TARGETED SUPPORT FOR PRIMARY & SECONDARY	1,304,845		
CONTACT POINT	149,000		
EARLY YEARS INCREASING FLEXIBILITY FOR 3-14 YEAR OLDS	0	254,036	1,074,018
SURE START, EARLY YEARS & CHILDCARE	6,183,000	6,492,000	6,816,000
YOUTH OPPORTUNITY FUND	131,000	131,000	131,000
PARENTING PRACTITIONERS GRANT	0	0	0
	<b>129,683,448</b>	<b>131,253,555</b>	<b>135,723,171</b>
<b>ADULT PSS</b>			
SOCIAL CARE REFORM	289,000	677,000	838,000
<b>OTHERS</b>			
CONCESSIONARY FARES	649,000	664,000	682,000
HOMELESSNESS	40,000	40,000	40,000
HOUSING & CTAX BENEFIT ADMINISTRATION SUBSIDY GRANT (2009/10 INDICATIVE)	1,730,878	1,688,716	
PFI	554,000	554,000	554,000
	<b>2,973,878</b>	<b>2,946,716</b>	<b>1,276,000</b>
<b>AREA BASED GRANTS (POSITION SO FAR)</b>			
SUPPORTING PEOPLE (INDICATIVE)	3,157,000	3,378,000	3,615,000
WORKING NEIGHBOURHOOD FUND	3,909,650	4,698,048	4,887,710
	<b>7,066,650</b>	<b>8,076,048</b>	<b>8,502,710</b>



**Stockton-on-Tees**  
BOROUGH COUNCIL

**Appendix B**

**Julie Danks**  
*Corporate Director of Resources*

[www.stockton.gov.uk](http://www.stockton.gov.uk)

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Please ask for: Julie Danks (Corporate Director of Resources)  
Tel: 01642 527007  
Email: [julie.danks@stockton.gov.uk](mailto:julie.danks@stockton.gov.uk)

X January 2008

Dear Mrs Hinde

**REVENUE SUPPORT GRANT FOR 2008/09, 2009/10 & 2010-11 AND RELATED MATTERS**

Following Mr. Davies' letter of 6<sup>th</sup> December 2007, the Council would comment on the provisional settlement as follows:-

**Certainty**

The Council welcomes the certainty provided by three-year settlements. Three-year allocations for Capital grants, Specific and Area Based grants as well as Formula grant are a valuable aid to the authorities financial planning. Accordingly, the Council expects that when the final announcements for the years 2009/10 and 2010/11 are made that the figures do not vary greatly from those announced on 6<sup>th</sup> December.

**Flexibility**

The Council views the removal of eligibility criteria on 38 grants and their pooling into an Area Based Grant as a positive move. This is on the understanding that these can be used to best suit local needs, without censure or future disadvantage from Government departments, on cross-cutting initiatives and projects that may not fit in with originating departments aims. For example, the Council would hope that future allocations from DCLG are not compromised if the Council chooses to use this money on, say, Social Care projects. The Council has a concern regarding the treatment of Supporting People Grant that is due to move into Area Based Grant from 2009/10. Stockton currently receives Supporting People Grant at a level that is significantly below its need identified by the formula.

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The Council appreciates that the gap between what Stockton receives and need identified by the formula is being reduced but would like assurance that the closure of this gap will not be adversely affected by the grant transferring into Area Based Grant.

### **Social Services Formula Damping**

The Council welcomes the Minister's positive response to consultation in ending damping within the social care formulae. This vindicates the Council's view that was manifestly unfair, especially as the general Four Block Grant System floor ensures that Councils receive at least a manageable basic increase in grant.

### **Formula Grant Increase**

The Council is relieved that it has received an above average increase in Formula Grant in recognition that Stockton's needs are higher than the national average, as the Council has consistently pointed out for many years. The Council is disappointed, however, by the extent of damping. This will cost Stockton just under £8.5m in lost grant over the three years of the settlement period. The Council has always recognized that the need for stability is an essential part of the grant system but feels that, in a three-year settlement any damping should be unwound by year three. By then Councils should be in receipt of their true level of grant, otherwise Councils will never receive the level of grant determined by the formula. It is not desirable or practical for many reasons to increase Council Tax burdens, not least of these being the limited ability to raise the necessary level of funds within the borough and also the desire to remain within Government tax levels.

The Council notes the new Supplementary Business rates initiative in 2010/11, but in the absence of detail at this time, is concerned that any increase on business taxes to cover grant shortfalls could have a consequential adverse effect on rewards through LABGI – the other business-based funding stream.

### **Working Neighbourhoods Fund**

The Council acknowledges that the Government has recognized that significant deprivation exists within certain Output Areas within Stockton and that Stockton will receive significant funding over the next three years to address worklessness within these communities.

### **Concessionary Fares**

The Council notes that the Government has listened to the representations of local government and distributed the additional funds for the extension of the Concessionary Fares scheme by a specific grant rather than distribution as part of Formula Grant. However, the Council would emphasise that additional costs falling on Councils in respect of the extension of the scheme cannot be quantified at the moment. The Council requests that the Government reviews this over the next few months as costs become known and allocates additional funds if necessary, as well as reviewing the distribution formula should the need arise. The Council requests that these funds should not be moved from specific grant into general grant until the costs involved for individual authorities are clear. The Council requests the Minister to consider distributing those additional funds that were added to Formula Grant in 2006/07 by way of a Specific Grant also.

### **LABGIS**

The Council has made great efforts over the years to regenerate the Borough and attract businesses into the area. As a result, over the three years of the Scheme so far, the Council has received significant funds from the operation of LABGIS. The Council is disappointed; therefore, to note that there will be no incentive scheme operating in 2008/09 and that the existing scheme has been reduced from £1 bn over the last three years to £150 m for the coming three years. The Council requests that the Government restores the value of

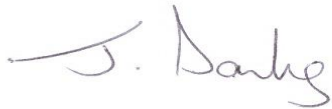
LAGBIS to at least the £1 bn level. This could be achieved by using some of the proceeds of the extra £2bn of NNDR receipts that has been used by the Government to fund the increase in Aggregate Exchequer Finance, over the years, as opposed to using this as a means of reducing the amount of Revenue Support Grant available.

### **Council Tax base**

On a purely technical matter, the council notes that the methodology for determining the Council Tax base figures used in the three years of the settlement disadvantage Stockton. By using an average of growth in Council Tax base between 2005 & 2007 this focuses on a period when the number in dwellings in Stockton was increasing rapidly. Although the Council Tax base is expected to grow in the next few years, the rate of growth is expected to slow. Using this methodology means that Stockton's tax base is overstated and as such its grant is lower than it should be. The Council requests that the Minister reconsiders the methodology for calculating future Council Tax bases.

I trust you find these comments useful.

Yours sincerely



JULIE DANKS  
Corporate Director of Resources

Please enter address here

**MTFP Pressures / Developments**

	2008/09	2009/10	2010/11	
<b>Pressures Reported during Year</b>				
Maintenance of Properties (Stockton Town Centre)	50	50	50	
Revenue Impact of Capital receipts	50	50	50	
<b>Grant Reduction</b>				
Grant Reduction - Housing Benefits	190	190	190	
Grant Reduction – Disabled Facilities Grant	??	??	??	
<b>Legislative Issues</b>				
Environmental Health	225	225	225	
Concessionary Fares	??	??	??	
Land Charges	??	??	??	
<b>Other Developments</b>				
Members Allowances	??	??	??	
ISAs	??	??	??	
ICT Infrastructure / Workwise	??	??	??	
Care Packages - Demographic Changes	??	??	??	
Billingham Forum	??	??	??	
Brunswick Street Repairs	??	??	??	
SMI	85	85	85	
HR	??	??	??	
<b>Growth</b>				
Christmas Market	60	60	60	
Cemeteries Post	30	30	30	
Gating Orders	20	20	20	
Out of Hours Service	100	100	100	
Leisure Strategy	20	20	20	
Grounds Maintenance	80	80	80	
Home Improvement Agency	70	70	70	
Voluntary Sector Governance	50	50	50	
Traffic Signals	80	80	80	
Public Transport Information	100	100	100	
<b>TOTAL</b>	<b>1290</b>	<b>910</b>	<b>910</b>	
<b>Potential NRF Implications - to be considered as part of approach to NRF / WNF</b>				
LSP Management	235	235	235	
Kerbside Recycling	200	200	200	
Neighbourhood Enforcement Service	750	750	750	(Note 1)
Crime & Disorder Initiatives	200	200	200	
	<b>1385</b>	<b>1385</b>	<b>1385</b>	

Note 1 - Includes Neighbourhood Element where Authority will receive £412800 in 08/9 and £258,000 in 09/10

CAPITAL ALLOCATIONS 2008/09

	Supported Borrowing £000	Grant £000	Total Funds £000
Local Transport Capital Settlement	2,627	728	3,355
Education	3,442	3,969	7,411
Social Services	206	-	206
Total	6,275	4,697	10,972

HOUSING REVENUE ACCOUNT – 2008/9 RENT LEVEL

The government previously confirmed that all councils and housing associations must set their rents on a new and consistent basis. These arrangements were to be phased over a ten year period commencing April 2002 and therefore needs to be fully in place by 2012. The proposals entail both the need for rent restructuring and rent convergence. Rent restructuring is where individual property rents will be reviewed to take into account such issues as property values and local labour rates. Rent convergence is where overall council and housing association rents are brought in-line to eradicate the significant current variances between rent levels in the two sectors.

The 2008/09 Draft Housing Subsidy settlement has proposed that rent convergence be delayed to 2016/17. This will result in a smaller increase because of rent restructuring.

On the 1<sup>st</sup> April 2003 the council approved that rents would be charged over 48 weeks with 4 rent free periods.

In order to set the rents and assess the sustainability of the Housing Revenue Account, three options have been considered.

Option 1	Based on the government guideline and subsidy calculation.
Option 2	An increased rent which is still within Housing Benefit rent limits.
Option 3	A reduced rent limited to an overall 5% increase.

The preference is to adopt the guideline rent increase as option 2 increases rent well above tenants affordability and option 3 does not achieve a medium term sustained Housing Revenue Account.

The proposed average increase for 2008/2009 of 6.22 % equates to £3.40p per week which gives an average weekly rent of £62.15. The proposed increase compares to an increase of 5% or £2.80 in 2007/08. Below is an average increase for each bedroom type :-

	<b>Rent Increase £</b>	<b>Rent Increase %</b>
0 Bedrooms	£2.57	5.62%
1 Bedroom	£3.19	6.18%
2 Bedroom	£3.50	5.99%
3 Bedroom	£4.02	6.36%
4 Bedroom	£4.51	6.81%
5 Bedroom	£4.89	7.11%
<b>AVERAGE</b>	<b>£3.40</b>	<b>6.22%</b>

A review of service charges has been conducted by the Council and Tristar Homes Limited. The review is based on guidance from DCLG who advise that service charges should no longer be pooled. Cleaning costs in High Rise properties have now been taken out of the basic rent. This leaves the Concierge service and concessionary garden service which are still being reviewed by officers and members will be consulted on these issues.