

STOCKTON-ON-TEES BOROUGH COUNCIL

CABINET RECOMMENDATIONS

PROFORMA

Cabinet Meeting21st February 2008

1. Title of Item/Report

Review of Medium Term Financial Plan and Budget 2008/09

2. Record of the Decision

Members considered the final report in determining the Medium Term Financial Plan (MTFP) for 2008/2009 onwards. It incorporated the level of Council Tax increase and utilisation of available resources over the three year period commencing 1st April 2008.

Members were informed of the Council's final grant settlement

Year	% Increase	£million	Cash Increase
2008/09	4.1		2.928
2009/10	3.1	2.304	
2010/11	2.7	2.081	

Members were provided with an analysis of the current predicted position on balances at the end of the financial year 2007/08:-

Forecast Position @ 31/3/07	£000's	% of General Fund
Expenditure %	Assumed Usage in budget setting	£000's
Corporate Working Capital	(14,992)	(6.0) (7,435)
Net (MS) / MC	(3,846)	(1.5) (2,296)
Net Working Balances	(18,838)	(7.5) (9,731)

A number of efficiencies had been made during the year, over and above that already included within the medium term financial plan. The contribution to working capital in year had been mainly generated from within the Council's Treasury Management Account and balances over the Council's target of 3% had been made available.

The assumed usage of corporate working capital had been included in a previous report to Cabinet. After this utilisation, the level of retained balances would be at 3% or £7.557 million.

It was explained that Services had continued to manage resources diligently. The current MS/MC position was provided:

	Approved Position at 31/03/2008 (MS)/MC's £'000's	Projected Outturn Position at 31/03/2008 (MS)/MC's £'000's	Projected Outturn Position at 31/03/2009 (MS)/MC's £'000's	Projected Outturn Position at 31/03/2010 (MS)/MC's £'000's	Projected Outturn Position at 31/03/2011 (MS)/MC's £'000's
CESC (883)	(1,057)	(411)	(165)	0	
D & NS	(2,325)	(2,227)	(1,079)	(441)	0
RESOURCES	(42)	(212)	(18)	(15)	(26)
TES	0	0	0	0	
LAW & DEMOCRACY		(84)	(87)	0	0
POLICY & COMMUNICATIONS		(195)	(263)	0	0
TOTAL	(3,529)	(3,846)	(1,508)	(621)	(26)

Members noted the key movements since the last reported position and how surpluses would be utilised.

Cabinet was informed of the considerable consultation that had taken place with, the public, businesses and Renaissance on the budget setting process. Eight Viewpoint Focus Groups had been held in January, and both Viewpoint and the Business Forum had completed questionnaires on spending priorities. The top three categories for each resposdee were detailed:-

Adult Viewpoint

1. Reducing anti-social behaviour
2. Caring for adults in their homes
3. Improving Town Centres

Youth Viewpoint

1. Reducing anti-social behaviour
2. Recycling
3. Improving Town Centres
3. Children's Homes

Business Forum

1. Providing bus travel for schools, the elderly and those with special needs
2. Neighbourhood and community centres
3. Promotion of the Borough for tourism

Cabinet was reminded that at its meeting held on 17 January 2008

proposed changes to the operation of the Council's medium term financial planning framework had been highlighted. Firstly, it was proposed that those budgets facing difficulties, having operated within the tight regime for 10 years, be rebased requiring an injection of funds as follows:

£000	
Children, Education and Social Care	350
Development and Neighbourhood Services	265
Policy, Performance and Communications	200

Secondly, it was proposed that annual increase in resources be amended so that 'Social Care' services receive a 4% increase each year, with the remaining services receiving 2%. In addition, the Care For Your Area service would continue to receive its growth element over the period of this MTFP. This was to be reviewed at the end of this 3-year period.

It had been suggested that the £1 million that had been introduced into the budget for the Building Schools for the Future up to 2009/10, should be continued from 2010/11 onwards.

Cabinet had also received an indication of available headroom, should a council tax increase of 4.5% be applied to all three years. In line with past practice a number of options for council tax increases were circulated to Members and discussed at a Seminar on 28 January 2008. In addition an assessment of the resulting headroom, and associated pressures, was provided. At the Seminar, and consequent Member Discussion Sessions, there was the opportunity for Members to raise questions on the content of the pressure bids. It was explained that, as a consequence of the consultation, proposals had been drawn up on both council tax increases, and the utilisation of the associated headroom. The following paragraphs contained those proposals.

Despite receiving the lowest percentage grant increases in the Tees Valley, Stockton would be proposing council tax increases that were well below the Government capping level, and, progressively reduce over the three years yet still allow the Council to continue to invest in its services. This would contribute to the Council continuing to improve service delivery in an environment where it was already classified as Excellent. The proposed increases and headroom figures were:

Year	Council Tax Increase	Headroom £m
2008/09	4.5%	2.701
2009/10	4.3%	3.500
2010/11	3.9%	4.213

A 4.5% increase was equivalent to £49.44 per property per annum at Band D (95p per week).

At Band A this equated to £32.96 per annum (63p per week).

Members were reminded that new Working Neighbourhoods Fund (WNF) would be replacing the Neighbourhood Renewal Fund (NRF). This had resulted in a proposal for a transition year whereby all schemes would be funded via WNF in 2008/09. In reality a number of the schemes would meet the new "worklessness" criteria in any event. Cabinet was provided with a list of all schemes currently funded within NRF together with an analysis of whether they would meet the new 'worklessness' criteria or not. This analysis showed that within the current arrangements approximately 50% of schemes would meet the new criteria, the remaining 50% would fall within the transitional arrangements. It was explained that officers would be making representations to the Government Office North East stating that the Council believed that this was an acceptable mix in the transition year. Following the transition year it was proposed that those schemes internally managed by Stockton Council were mainstreamed into the Council's budgets. This would be a call on headroom from 2009/10 onwards of £1.072 million a year (the Neighbourhood Element grant funding for Enforcement that is disappearing being included in this sum). Details were provided to Members as per the table below. Discussions with providers of schemes currently funded via NRF would ensue in the coming months.

Schemes to be Funded from 2009/10 Onwards £000

1. Enforcement Team 565
 2. LSP Management 235
 3. Kerbside Recycling 200
 4. Preventions Team 72
- 1,072

Cabinet was informed that the Children, Education and Social Care service grouping faced an increase in unavoidable costs associated with people who required packages of care. Added to this, from 2008/09, there would be an increase in public law fees for the Children Act and adoption proceedings. In addition there were resource requirements arising from the Integration of Services that were deemed to be unavoidable if the Council was to deliver its commitments on this initiative. It was proposed therefore that these pressures be prioritised as the next commitment against available headroom. Further details on each pressure were provided. These in total amounted to £1.098 million in 2008/09 (a slight reduction when compared to the information presented to Members at the Seminar on 28 January 2008).

It was explained that a report on Members Allowance had been presented to Cabinet in February and it had made recommendations to Council including a proposal that funds be reserved in the budget to accommodate any pressures once a decision was reached on this matter. The sum to be reserved for 2008/09 was £160,000, a slight reduction when compared to the information presented at the Members Seminar. Any downward variation would be dealt with via a contribution to balances in 2008/09. Any consequent changes would be accommodated within the Medium Term Financial Plan.

In terms of the remaining pressures, as was usually the case, the requirements from Law and Democracy and Resources were smaller than other service groupings. It was suggested within Law and Democracy that the appointments of a CAPS (Land Charges) Administrator and Senior Legal Assistant were approved to maintain standards. Within the Resources service grouping it was felt that a restructure of the Human Resources service was required to help it provide the levels of service and improvement needed to move forward on issues such as organisational development and sickness management. These proposals totalled £208,000 in 2008/09, again a slight reduction on the Members' Seminar information.

If the above proposals were accepted there would be a residual amount of headroom available to be allocated. This residual amount was lower in 2009/10 as Stockton began to fund the schemes transferring from WNF. It was therefore proposed that £600,000 of funds from the 'one-off' resources available to Stockton was utilised to bolster this year. A summary of the position was provided:

Council Tax increase	4.50%	4.30%	3.90%
	2008/09	2009/10	2010/11
	(£m)	(£m)	(£m)
Headroom	2.701	3.500	4.213
NRF 0*	-1.072	-1.072	
CESC	-1.098	-1.141	-1.186
L&D/Res	-0.208	-0.212	-0.216
Members Allowances		-0.160	-0.220
Headroom at 4.5%/4.3%/3.9%		1.235	0.855
Injection of One-Off Headroom			0.600
Headroom at 4.5%/4.3%/3.9%		1.235	1.455
			1.464

*NRF Schemes to be funded out of WNF in 2008/09

Members noted that there were a number of pressures competing against the remaining headroom and full details were provided in Appendix D to the report. Members considered proposals for the allocation of headroom:-

Proposed utilisation of available headroom

Development & Neighbourhood Services

Neighbourhood Enforcement	0.145	0.148	0.151			
Housing Benefit	0.175	0.190	0.200			
Environmental Health	0.205	0.210	0.220			
Forum	0.135	0.135	0.135			
SMI	0.080	0.085	0.087			
Cemeteries	0.030	0.031	0.032			
Voluntary Sector	0.040	0.042	0.044			
SHIP	0.030	0.033	0.036			
Traffic Signals	0.080	0.082	0.084			
Mainstream of reduced NMP Parkfield/Mill Lane				0.000	0.080	0.100
Out of Hours Noise	0.100	0.102	0.104			
Total DNS	1.020	1.138	1.193			
Children, Education & Social Care						
Carers	0.050	0.052	0.054			
Complex & Additional Needs	0.050	0.052	0.054			
Safeguarding Children Board	0.030	0.031	0.032			
Substance Misuse	0.050	0.052	0.054			
Total CESC	0.180	0.187	0.194			
Law Democracy						
Electoral Services	0.079	0.081	0.082			

Total Proposed Pressures 1.279 1.406 1.469

Remaining Balance -0.044 0.049 -0.005

In addition to the ongoing headroom for the period of the MTFP there would be 'one-off' resources of £5.24 million. If the application of the £600,000 above was approved this would leave a balance of £4.64 million. A number of pressures had been submitted that were considered suitable for fixed sum, three year funding. These were:

Pressure	£00008/09	£00009/10	£00010/11	Total
1. Public Transport Information	100	102	104	306
2. Christmas Festival	150	200	200	550
3. Carbon Management	150	0	0	150
4. Housing Stock Options	0	400	400	800
5. Christmas Lights	50	51	52	153
	450	753	756	1,959

If approved this would leave a residual amount of £2.681 million.

Members considered the position regarding capital expenditure and resources. Attached at Appendix F to the report was an evaluation of the Council's current Capital Plan. It could be seen that available resources exceeded committed expenditure by £580,000. It could also be seen from the mid section of the plan that some schemes had only been funded up until the end of 2008/09. These were namely:

£000		
Cemeteries	150	
Environmental Improvements		400
Chronically Sick and Disabled Persons Act		250
Alleygating	121	
Repairs and Maintenance		400
	1,321	

It was proposed that these schemes would continue until the end of the current MTFP. The two years extra funding required would amount to an additional £2.642 million. This was £2.062 million in excess of the amount available from capital. It was therefore proposed that this be funded from the £2.681 million remaining in one-off resources, reducing this to a balance of £0.619 million.

Subject to the above proposals being endorsed there would be remaining one-off headroom of £0.619 million. The Council's vision is ambitious both in terms of physical regeneration and service provision. It is therefore proposed that this remaining balance is used to contribute to the achievement of the vision through pump-priming or invest to save initiatives.

Members were reminded that the Local Government Act 2003 placed a requirement on the Section 151 Officer to report on the robustness of the budget and the adequacy of the proposed financial reserves. Members were required to take account of this when determining the Council's budget requirement for 2008/09.

Stockton had adopted a three-part approach to this. Firstly, Heads of Service and the appropriate Finance Manager had to certify that their budgets:

- represented a true and fair view of the service grouping (service) budget for the year.
- were accurate and complete.
- included all liabilities of the service grouping/service.

- included all sums due to the service grouping/service.
- had been prepared in accordance with guidelines provided by the Corporate Director of Resources.
- balanced to the resource allocations notified by the Corporate Director of Resources taking account of any MS/MCs.
- and financial projections had been scrutinised in conjunction with the appropriate Head of Service.

Secondly, through the Council's approach to risk management, whereby service groupings explore and manage the Council's exposure to risk; and finally through a rigorous approach to budget monitoring where budget challenge clinics had been introduced to improve the quality and accuracy of financial projections.

In addition, regular performance improvement clinics were held involving the Chief Executive, Corporate Director of Resources and the appropriate Corporate Director of Service to review the financial position and the performance of the service grouping.

Cabinet was aware that the Council maintained balances at 3% of both the General Fund and the net operating expenditure of the HRA.

Members noted what the impact, in terms of Council Tax level, of the proposed 4.5% increase would have on the authority's Band A and Band D properties.

Details of the Fire Authorities precept was provided as were those of Parishes within the authorities administrative area.

Members were informed that the Police Authority would not be meeting to set their council tax until 28 February 2008. As a result an item would be placed on the agenda of the Council meeting on 5 March to set the aggregate council tax for the Borough. This was in line with legislation and was necessary for council tax billing purposes.

Cabinet noted that the Council must approve precept/tax in line with statutory guidelines and details of these were provided at Appendix G to the report.

Members were asked to approve the Medium Term Capital Plan (including 2009/10 and 2010/11) which was attached to the report at Appendices H and included the following.

a) Utilisation of capital allocations received direct from the Government to services:

	08/09	09/10	10/11
Social Services	206,000	206,000	206,000
Transport	3,354,993	3,578,808	3,886,340
Education	8,206,185	8,451,347	8,108,610
Housing *	14,302,468	14,194,600	14,173,100
Waste Infrastructure		333,000	333,000
	26,402,646	26,763,755	26,497,050

b) Use of the Council's own resources.

c) The current capital budget which equated to £74.126 million. Movement against this budget included cost variations of £(51,000) and slippage to 2008/09 of £(5,311,000). Further information to support these variances was included in Appendix I to the report.

In order to achieve the Government's Decent Standards Works to properties deadline of 2010, the Council had a rationalisation programme. The 2008/09 stock rationalisation programme had been taken from the Building Cost Model prepared by Tristar Homes Limited, which proposed demolishing 132 properties as shown in Appendix L. This approval would enable the Council to maximise its receipt of subsidy from Communities and Local Government (CLG).

The Authority was required to make a provision for a 3% working balance (£1,000,000) at the end of each financial year. At the end of 2007/08 the working balance was shown as £1,044,837. As part of the medium term financial plan, a specific provision had been set aside to cover the revenue costs of borrowing for the housing capital programme.

The Treasury Management, Investment Strategy and Prudential Indicators for 2009/10 – 2010/11 was provided to Members at Appendix K to the report.

RECOMMENDED to Council that :-

1. in accordance with the Local Government Act 2003, Members note that the Section 151 Officer confirms that the following recommendations:-

- a) represent a robust budget which has been prepared in line with best practice,
- b) provide adequate working balances at 3% of general fund and net operating expenditure of HRA, and
- c) that the controlled reserves and provisions are adequate for their purpose.

General Fund Budget

2. a 2008/09 budget for Stockton-on-Tees Borough Council of £140,545,187 be approved.
3. a 2008/09 budget for Stockton-on-Tees Borough Council inclusive of Parish Precepts (£562,225) of £141,107,412 be approved
4. the rebasing of the budget, and the revised method of allocating annual increases be approved
5. the allocation of £1m per year, ongoing from 2010/11, to the Building Schools for the Future project be approved
6. the proposed transitional utilisation of the Working Neighbourhoods Fund in 2008/09, and the subsequent use of headroom for Stockton Council managed schemes falling out of Neighbourhood Renewal Funding, from 2009/10 onwards be approved.
7. the funding of the unavoidable pressures from Children, Education and Social Care be approved.
8. the funding of a reserve to accommodate changes to Members' Allowances be approved. Variations to the reserved amount being dealt with via the mechanisms of the Medium Term Financial Plan.
9. the funding of the ongoing pressures nominated by Law & Democracy and Resources be approved.
10. the nominated list of schemes, detailed in paragraph 15, proposed to utilize the balance of available ongoing headroom be approved.
11. the revenue pressures nominated that will reduce one-off headroom by £1.959 million be approved.
12. the capital schemes nominated that will reduce one-off headroom and capital by £2.642 million be approved.
13. the reserving of the remaining £0.619m to pump-prime investment in future capital schemes be approved.

Taxation

SBC

14. the Council Tax for Stockton-on-Tees Borough Council, prior to Parish, Fire and Police Precepts, be increased by 4.5% to a level of £1,148.21 at Band D (£765.47 Band A).

Fire, Police & Parish

15. the Fire Precept of £3,367,763 which equates to a Council Tax of £58.69 at Band D (£39.13 at Band A) be noted.

16. the Parish precepts as set out in paragraph 26, page 17 of the budget report be noted.

17. Council note that legislation requires the Council to approve the aggregate tax for the Borough. The Council has been notified that the Police Authority will now not be meeting to set their budget, precept and Council Tax until 28 February. Consequently an item will be placed on the agenda of the Council meeting on 5 March to set the aggregate Council Tax.

Capital

18. the utilization of capital allocations received from the Government, as set out in paragraph 30 (a), page 18 of the report be approved.

19. cost variations of £(51,000) and the carry forward of slippage into 2008/09 of £(5,311,000) be approved.

20. the Medium Term Capital Plan as set out in Appendix H of the report be approved.

Housing Revenue Account

21. the Housing Revenue Account as set out in Appendix J to the budget report be approved.

Treasury Management/Prudential Code

22. the Treasury Management Strategy, Minimum Revenue Provision Statement, Investment Strategy and Prudential Indicators for 2008/09 – 2010/11 as set out in Appendix K to the budget report be approved.

Council Tax - Statutory Requirements

23. the statutory requirements for Council Tax as shown in Appendix G to the budget report be noted.

24. Council note that as previously mentioned in the report this excludes the Precept and Council Tax in respect of Cleveland Police Authority. The aggregate tax for the Borough will be reported to the Council meeting held on 5 March for approval.

25. the proposed Stock Rationalisation Programme at Appendix L of 132 properties in 2008/09 be approved.

3. Reasons for the Decision

To allow final decisions on financial/taxation policy to be taken prior to the statutory deadline of 11 March 2007 and to allow the continued development of the Authority and its partnerships through effective management of the Authority and its resources

4. Alternative Options Considered and Rejected

5. Declared (Cabinet Member) Conflicts of Interest

Councillor Nelson declared a personal prejudicial interest in respect of paragraph 33, Appendix L and recommendation 25 which all related to the proposed Stock Rationalisation Programme, as he knew a person who lived in/owned one of the properties identified for demolition. Cabinet delayed consideration on this specific issue until the determination of the rest of the report had been concluded. Councillor Nelson then left the meeting during the consideration of the Stock Rationalisation Programme and took no part in voting on recommendation 25.

Councillor Nelson declared a personal non prejudicial interest in this item as he served as a representative of the Council on the Board of Tristar Homes Limited and Stockton and District Advice and Information Service, he was also a member of the Friends of Billingham Forum.

Councillor Mrs McCoy declared a personal non prejudicial interest in this item as she represented the Council on Stockton and District Advice and Information Service.

6. Details of any Dispensations

None

7. Date and Time by which Call In must be executed

Not Applicable

Proper Officer
11 April 2008