

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

14 JANUARY 2010

**REPORT OF CORPORATE
MANAGEMENT TEAM**

COUNCIL DECISION

Lead Cabinet Member – Councillor Kenneth Lupton - Leader

REVIEW OF THE MEDIUM TERM FINANCIAL PLAN 2010/11

1. Summary

The purpose of this report is to update Members with the current position of the Medium Term Financial Plan ahead of budget and Council tax setting which is to take place at full Council on 24 February 2010.

The report outlines a number of pressures faced by the Council and suggests a strategy for dealing with these pressures both in the immediate future and into the medium term. Part of this strategy involves the continuation of the Efficiency, Improvement and Transformation programme (EIT), an outline of the proposed year 2 reviews is also contained in the report.

2. Recommendation

1. It is recommended that Members note the financial position detailed within the report and the proposed year 2 EIT reviews.

3. Reasons for the Recommendations/Decision(s)

The Council is required to approve a balanced budget and set a tax for 2010/11 before the statutory deadline of 11 March 2010.

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.

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SUMMARY

The purpose of this report is to update Members with the current position of the Medium Term Financial Plan ahead of budget and Council tax setting which is to take place at full Council on 24 February 2010.

The report outlines a number of pressures faced by the Council and suggests a strategy for dealing with these pressures both in the immediate future and into the medium term. Part of this strategy involves the continuation of the Efficiency, Improvement and Transformation programme (EIT), an outline of the proposed year 2 reviews is also contained in the report.

RECOMMENDATION

1. It is recommended that Members note the financial position detailed within the report and the proposed year 2 EIT reviews.

DETAIL

1. The Council is required to take a range of decisions in advance of each new financial year. The statutory deadline for the Council to set a balanced budget is by 11 March 2010.
2. This report provides briefing papers that will facilitate decisions at Special Council meeting on 24 February 2010.
3. The report contains sections on:
 - Provisional 2010/11 settlement.
 - General Fund position.
 - An assessment of future available resources.
 - A strategy for producing future efficiencies.

FINANCIAL AND LEGAL IMPLICATIONS

4. The report updates the Medium Term Financial Plan to reflect a number of pressures and associated resources.
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.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

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

EQUALITIES IMPACT ASSESSMENT

8. An assessment has been undertaken. This resulted in a successful score of 65 and an associated action plan. Details of all documentation can be accessed by contacting the Head of Finance, Procurement & Performance, Paul Saunders.

CONSULTATION INCLUDING WARD/COUNCILLORS

9. A series of consultation events will be taking place between January and February 2010. These will involve Viewpoint, Business Forum, Renaissance and Stockton Members.

Julie Danks
Corporate Director of Resources

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Background Paper

Ward(s) and Ward Councillors:

Property

**MEDIUM TERM FINANCIAL PLAN
AND BUDGET
2010/11**

BACKGROUND

MEDIUM TERM FINANCIAL PLAN

1. On 26 November 2009 Cabinet received a report detailing the current anticipated financial position of the General Fund for the period of the Medium Term Financial Plan (MTFP). The projected overall Managed Surplus (MS)/Managed Commitment (MC) position of the General Fund was as follows:

	31/3/10 £000s	31/3/11 £000s	31/3/12 £000s	31/3/13 £000s
(MS) / MC	(1526)	(522)	(196)	(102)

In managing its finances external assessments have rated Stockton's use of resources very highly. This has just recently been evaluated in the new harder test as part of the Comprehensive Area Assessment. Stockton maintained its maximum score of 4, one of only 3 councils in the country to do so. During the difficult financial climate we are currently encountering, strong financial management is even more crucial.

PROVISIONAL SETTLEMENT

2. The Government on 24 January 2008 announced an indicative grant increase for Stockton in 2010/11 of £2.080 million, a percentage increase of 2.7% on the 2009/10 grant. On 26 November 2009 this increase was confirmed, although there were some adjustments to the 2009/10 figure for New Burdens and Transfer of Functions. The net result of these calculations was a reduction of £21,000 for Stockton. The main cause of the reduction is a transfer of the student loan function from the council to a company set up to specifically deal with this issue.

SBC COUNCIL TAX INCREASES 2010/11

3. Within the MTFP that Stockton agreed in February 2009 there was an anticipated council tax increase of 3.9% for 2010/11. Clearly there has been a significant change in the economic circumstances of the country in the intervening period as a consequence of the economic recession that has occurred. In these changed circumstances the Minister for Local Government in announcing the 2010/11 grant settlement stated that she expected increases to be substantially below the 3% average increase for 2009/10. In doing so she reiterated the Government's intention to cap any 'excessive' increases, although no specific figure was given as to what would be deemed excessive.
4. When the budget was set for 2009/10, the anticipated council tax increase of 3.9% for 2010/11, in addition to government grant and SBC generated resources, looked to fund a net resource allocation of £155,551,091. Although the recession is placing a strain on the authority in terms of increasing demand for services and loss of income, it is also producing some cost relief in producing smaller pay increases than the inflation factors built into the MTFP. Already in 2009/10 the pay award was at the lower than anticipated figure, averaging 1.12% with the higher increase for lower paid workers. It is generally felt that for 2010/11 the increase will be no greater than 1%. If this is the case the original net resource allocation can be reduced to £153,312,091. Officers have been pursuing a number of other routes to make savings and a number of these can be applied in the 2010/11 budget setting.
5. The first saving comes from the authority's use of the regional portal to advertise job vacancies instead of newspapers and journals. This will realise £150,000 in 2010/11. The second area is associated with the report that has been to Cabinet regarding rationalising car allowances. If these proposals go ahead, 2010/11 will be a transitional year and savings of £400,000 are expected. During 2009/10 Stockton entered into an Agency Contract that is controlled by the Corporate Procurement Unit. Mainly due to reductions in commission rates as part of the tender this is expected to realise savings of £100,000 in the next financial year. Finally

Stockton participated in an ICT Hardware E-Auction in the latter part of 2009. Due to the reduced unit prices of IT hardware it is anticipated current volumes of purchase will realise savings of £250,000 in 2010/11. The revised final net resource allocation for 2010/11 after these reductions would be as detailed below.

2010/11	£	£
Resource Allocation @ 1% Pay Rise		153,312,091
Less:		
Recruitment Advertising	150,000	
Car Allowances	400,000	
Agency Contract	100,000	
ICT Hardware E-Auction	250,000	(900,000)
		152,412,091

6. As mentioned previously the grant for 2010/11 is as expected with a minor deduction of £21,000. This means Stockton will receive a grant settlement of £78,196,322. As stated above the Government is expecting council tax increases to be substantially below 3%, although it gives no indication as to what substantial is. If Stockton was to look at halving its previously proposed increase and implemented a 2% rise in council tax for 2010/11 this would generate resources of £70,896,890. A 2% rise in council tax equates to an extra 46p a week for a Band D council tax payer. These two combined sources of funds would leave a gap of £3,318,779 against the £152,412,091 resource allocation requirement detailed previously. This would need to be funded from SBC generated resources, and is within the compass of those previously identified in the MTFP in the previous financial year, e.g. insurance fund, exit grant, LATS, that complemented the service efficiencies associated with a supplies and services freeze leading to a reduction in the cost base (this equated to £6 million in efficiencies over the three-year period), as well as the one off resources to fund the minor capital schemes and the last year of the one off schemes from the 2008/09 MTFP.

7. The final position for 2010/11 would appear as follows if the scenario above is implemented.

2010/11	£	£
Resource Allocation Requirement		152,412,091
Resources Available:		
Government Grant	78,196,322	
Council tax @ 2% increase in 2010/11	70,896,990	
SBC Resources	3,318,779	(152,412,091)
		0

This will result in Stockton setting a balanced budget for 2010/11, at the same time as halving its proposed council tax increase, without any reduction in services or a programme of significant job cuts. A position that is far superior to that which most councils are facing during these difficult economic times. This is allied to the situation that Stockton continues to make considerable investment in service provision, the £180 million that will be expended on Building Schools for the Future, the £15 million refurbishment of Billingham Forum, £7 million to be spent on the Primary Capital Programme in 2010/11, and the £7 million Stockton is investing in the Communities Fund that seeks to redress unemployment issues by utilising Voluntary Sector Organisations.

8. It needs to be stated that at this moment in time this balanced budget does not contain any additions to pressures other than those that were incorporated as unavoidable when the MTFP was agreed in February 2009. Services have coped with those pressures by making efficiencies or adaptations to ensure we remain within the approved financial envelope. There is

one emerging potential pressure from the Queen's Speech that may require additional resources to be allocated for part of 2010/11. This is the Government's proposals for free Personal Care for a range of people based upon differing criteria and three options. This requires legislation to be passed before the forthcoming General Election so at this moment in time there is a question mark as to whether it will be implemented or not. The details on this are emerging as part of the consultation exercise and social care colleagues will no doubt be exploring this in depth with Members at a policy session. From a financial perspective, if the legislation is passed before the General Election, the requirement for Council funding will start from 1 October 2010. The Government will be releasing grant of c. £700,000 to partially fund the initiative and the Government expects the Council to contribute c.£400,000 funded via efficiencies. Firstly the question of whether the total sum identified is sufficient to fund this initiative will no doubt be subject to considerable debate and analysis, before actual implementation, should it indeed happen in 2010. Secondly a requirement for local authorities to make additional efficiencies on top of those they are already making to mitigate the effects of the recession is certain to raise concerns. This is an issue that needs to be closely monitored as it develops over the coming months. This proposal is an additional one to those already contained in the green paper on social care that has already been presented to Members.

2011/12 ONWARDS

9. As we move into 2011/12 the picture becomes a lot less certain and gloomier. The Comprehensive Spending Review that was scheduled for summer 2009 was cancelled. When the Provisional Settlement was announced on 26 November 2009 there was no indication to likely grant settlements for the next three year period. What has been stated quite openly is that Public Sector Expenditure will need to be reduced to help pay back the current high levels of national debt, and talks of council tax increase freezes have been regular. In the absence of any definitive data Stockton must make a calculated estimate of the likely impact on its revenue resource stream for the two financial years after 2010/11. Those assessments in the following projections are that revenue support grant will be reduced by 3.333% year on year, and that council tax increases will be frozen for 2011/12 and 2012/13. Research and networking with other councils has shown a wide disparity in the assumptions councils are making. It is felt that some of the extreme projections put forward are a reaction to media hype and speculation. In the absence of any Government data it has been very difficult to project future years' financial resources. It is felt however that the assumptions outlined above are realistic.
10. Based upon these assumptions the grant income for 2011/12 would be £75,589,778 and council tax would raise £70,896,990 resulting in total external funding to the General Fund of £146,486,778. If the budget detailed earlier for 2010/11 was implemented, the starting point for resource allocation would be £152,412,091, before inflation allowances increased it to £155,658,676. This would result in an initial gross budget gap of £9,171,908. As is the Stockton way, plans and actions were initiated some time ago to mitigate this anticipated situation. Savings from the first year of the Efficiency Improvement and Transformation Programme and other suggestions for operational efficiencies will deliver a total of £4,048,000. A schedule of these proposals is included at Appendix A. The authority has also embarked on the process of Procurement Category Management in twelve priority areas for goods and services the council procures. This process included category aggregation, the management of demand and updating of market intelligence with a view to influencing this more. It is envisaged that this approach will deliver £1 million in savings. A schedule of the twelve chosen categories and progress to date is attached at Appendix B. During 2011/12 the full roll-out of the car allowance proposals is scheduled to occur, on the current basis this will result in an additional £400,000. Finally, it is anticipated that the pay increase in 2011/12 will remain at 1%, delivering an additional £1.3 million in resource reduction. These measures narrow the budget gap to £2,423,908 to be funded from SBC resources. This figure is again within the compass of the figure originally approved in February 2009. The summary position for 2011/12 is provided in the table below:

2011/12	£	£
2010/11 Resource Allocation		152,412,091
2011/12 Inflation Increase		3,246,585
		155,658,676
Resource Reductions:		
EIT Year 1 / Operational Efficiencies	4,048,000	
Procurement	1,000,000	
Car Allowances	400,000	
1% Pay Award	1,300,000	(6,748,000)
		148,910,676
Resource Available:		
Grant	75,589,778	
Council Tax	70,896,990	
SBC Resource	2,423,908	148,910,676
		0

The Pre-Budget Report 9 December 2009 raised the possibility of another potential pressure from 2011/12 onwards. If this Government is re-elected in the forthcoming General Election they intend to raise national insurance contributions for both employers and employees by 1% with effect from 1 April 2011. (For employees those earning below £20,000 will be exempt). It is impossible at this stage for Stockton to accurately predict its pay bill at that date, but the increase should it be implemented would bring a cost pressure of approximately £800,000 to the authority. Again at this point it should be noted the budget figures still only include those known budget pressures that were deemed unavoidable when the 2009/10 MTFP was agreed.

11. As we move into 2012/13 some additional assumptions have to be made. Members will recall in the 2009/10 MTFP we reduced the amount earned on investment income, with £1.9 million of ongoing resource and £1.6 million of one-off funds being used to balance the budget. Indications from the Bank of England are that interest rates should start to rise in 2011/12 and by 2012/13 be back to the level to allow us to return our target figure to its original level. Clearly this is a long way into the future to predict with any accuracy, but the assumption being made is that this will happen. Another assumption for 2012/13 is related to the minor capital schemes: environmental improvements £400K; disabled adaptations £250K; repairs and maintenance £400K; cemeteries £150K; highways £150K. These are funded in the MTFP up until 2011/12, at this moment in time it is assumed this funding will not continue in 2012/13. The era of being able to allocate additional headroom monies for improvements is likely to disappear if these projections are correct. A cautious approach to extending expenditure beyond core service provision at least until the settlements for 2011/12 onwards are known is advised. Stockton is in the strong financial position of today because it has not extended itself beyond its means in the past. Until some certainty appears about the picture from April 2011, it is imperative that approach is continued.
12. Assuming the above projections are correct and implemented, the rise in resource allocation for 2012/13 is only £1,003,809, taking account of the return to investment income targets and the fall out of the minor capital expenditure. This produces a starting point of £149,914,485. The projections for grant and council tax are £72,983,234 and £70,896,990 respectively giving a total of £143,880,224 for external resource. Some of those operational efficiencies identified by officers will not be available until 2012/13. These amount to £352,000 and these can be used to reduce the starting figure. As the last MTFP did not extend until 2012/13 there was no estimate of SBC resource available for that year. It is anticipated that there will be £3.4 million of resource that will be available in year. The first element of this is a contribution of £1.9 million from the insurance fund. The second element is an estimated surplus of £500,000 from the collection fund. The final element is associated with employers pension contributions. Due to stock market falls the Government asked for an interim valuation of the latter. This showed that the Teesside Pension Fund is weathering the storm very well and if this is repeated in the

formal valuation the £1 million that was anticipated to fund the fall in valuation of the fund will not be required for that purpose and can be utilised in the MTFP instead. Again a development in the Pre-Budget Report now raises a potential problem with this proposal. It has been announced there is to be a cap on employers contributions to pension funds with effect from 2012/13. The proposal does not say whether the cap will be national or local, nor at what level it will be. It does however have the potential to impact on the calculation undertaken to release this million. It was said at the start of assessing the two years from 2011/12 there was a large degree of uncertainty over predicted figures, and with each Government announcement these are being added to rather than clarified. If however the previous predictions do occur the net budget gap that would need to be found from efficiencies is £2,282,261. Again in anticipation of this initiatives on partnering with other authorities, joined up services within the Council and the proposed EIT Year 2 programme are being put in place, and based upon previous successes should be capable of delivering the required efficiencies. Details are provided at Appendix C. This would leave Stockton in the position for 2012/13 of achieving a balanced budget based upon the planned and managed approach outlined. A position that is sure to be the envy of many other councils who are not in such a healthy financial state.

2012/13	£	£
2012/13 Resource Allocation		149,914,485
Resource Reductions:		
Operational Efficiencies		(352,000)
EIT Year 2 / Partnering / Joined up services		(2,282,261)
		147,280,224
Resource Available:		
Grant	72,983,234	
Council Tax	70,896,990	
SBC Resource	3,400,000	147,280,224
		0

If all of these assumptions are correct, Stockton will have moved from an anticipated resource allocation in 2012/13 of £159.8 million to one of £147.3 million, a reduction of £12.5 million delivered from efficiencies or generating resource. These are additional to the many millions of pounds of efficiencies Stockton has made in previous MTFP's. If these same levels of reduction in resources were to continue in 2013/14, it is difficult to contemplate the gap continuing to be closed in the same manner and a programme of service / job cuts would be hard to avoid. All the figures discussed previously are based upon a possible 2% Council Tax Increase in 2010/11. A movement either way of 0.5% would produce a difference of c.£347,000. Attached at Appendix D are some worked examples of how this impacts upon resources year on year. In 2010/11 and 2011/12 this change impacts upon the amount of SBC resource that needs to be deployed in the MTFP. In the final year 2012/13 it has an impact upon the budget gap that would need to be delivered from EIT Year 2/Partnering/Joined Up Services efficiency programme.

- It has been mentioned earlier in the report that Stockton is going to have some additional one-off resource available from 2009/10. Currently this is estimated to be in the region of £4.5 million, only at year end will a definite figure be known. It has been past practice in the era of year on year grant increases and headroom, to allocate this money to time limited projects and initiatives. Give the uncertainty about future funding levels, potential pressures such as 'Personal Care at Home' and the National Insurance proposal, and the need with some efficiency measures to invest to save, it is considered prudent not to agree any use of this resource in that manner until the grant settlements for 2011/12 are known, when a more informed choice can be made about the utilisation of any such resources.

INVESTMENT STRATEGY

14. It was mentioned earlier in the report that the target for “investment” income had been reduced for the financial years 2009/10 to 2011/12. Due to a good start to 2009 the target for 2009/10 looks attainable. At present due to the fall in ratings for many institutions on our counterparty list, and the short term placements we are making, returns are very low. In some instances the rate for our call account is higher. If we are to make our return in 2010/11 there will undoubtedly need to be a change in the investment strategy. Possible changes are, increasing limits for those organisations meeting our rating requirement; for those placements within the twelve month timeframe extending the length of time we make the placement. As the rest of the world comes out of recession more quickly than the UK, consideration needs to be given to placing funds with sound overseas banks. If the LGA gets the changes it requires from the financial institutions who run Money Market Funds, an evaluation of whether these are a satisfactory repository for our investments. This issue will be considered in greater depth in the February report when the Treasury Management Strategy is presented for approval as part of the formal budget setting process.

COUNCIL HOUSE RENTS

15. Included at Appendix D is the proposed Council Rent Increase for 2010/11. The proposed increase is an average 2.48% equating to a monetary rise of £1.59 per week.

EIT Year 1 / Operational Efficiencies

CESC		
No.	Description	Amount £'000
<i>EIT YEAR 1</i>		
	FACS	500
	Child Placement and Residential Care	150
	Adult day/Residential	560
<i>EIT YEAR 1 TOTAL</i>		1,210
<i>OPERATIONAL EFFICIENCIES</i>		
1	Establishment Charges	633
2	Service Changes	227
3	Running Costs Reduction	17
<i>OPERATIONAL EFFICIENCIES TOTAL</i>		877
CESC EIT YEAR 1		1,210
CESC OPERATIONAL EFFICIENCIES		877
CESC TOTAL		2,087

D&NS P		
No.	Description	Amount £'000
<i>EIT YEAR 1</i>		
	Highways, Lighting Network	200
	Commercial Trading	250
	Regulatory Services	20
	<i>EIT YEAR 1 TOTAL</i>	470
<i>OPERATIONAL EFFICIENCIES</i>		
1	Establishment Changes	156
2	Service Changes	501
3	Running Costs Reduction	76
	<i>OPERATIONAL EFFICIENCIES TOTAL</i>	733
	D&NS EIT YEAR 1	470
	D&NS OPERATIONAL EFFICIENCIES	733
	D&NS TOTAL	1,203

RESOURCES		
No.	Description	Amount £'000
<i>OPERATIONAL EFFICIENCIES</i>		
1	Establishment Changes	204
2	Service Changes	108
3	Running Costs Reduction	48
<i>OPERATIONAL EFFICIENCIES</i>		360
RESOURCES TOTAL:		360

CROSS CUTTING EIT REVIEW			
No.	Description	Service Area	Amount £'000
	Public & Community Transport	DANS/ CESC	150
	Communications/Consultation and Engagement	Cross Cutting	300
	Property & Facilities Management	Cross Cutting	300
CROSS CUTTING EIT REVIEW TOTAL			750

SUMMARY OF EIT YEAR 1 / OPERATIONAL EFFICIENCIES

	EIT YEAR 1 £'000	OPERATIONAL EFFICIENCIES £'000			TOTAL £'000
		1	2	3	
CESC	1,210	633	227	17	2,087
D&NS	470	156	501	76	1,203
RESOURCES	N/A	204	108	48	360
CROSS CUTTING EIT REVIEW	750				750
TOTAL	2,410	1,120	726	141	4,400
				2011/12	4,048
				2012/13	352

1. ESTABLISHMENT CHANGES

These changes are from vacancies held open in light of the current financial situation, reductions in areas such as overtime, or structure rationalisation.

2. SERVICE CHANGES

Savings as a consequence of changing the way a service is delivered, or changing current charging methods.

3. RUNNING COSTS REDUCTION

A reduction in budgets that aids running a service, due to having been evaluated for previous pressures the contribution from this area is much smaller as might be anticipated.

PROCUREMENT CATEGORIES – SUMMARY POSITION WEEK ENDING 4th Dec 2009

Category	Expenditure	Category Team	Initiation	Insight	Innovation	Implementation	Improvement	Comments
Advertising, PR, Print & Marketing	£1,489,295 (validated)	M Skipsey B Brown A Lench G Costello	Spend analysis validation complete	Requirements Data gathering commenced. Specifications currently being developed.	Multi-supplier frameworks with mini-competition process.			Xentrall D&P now engaged
Building Construction Materials (HVE)	£1,751,308	M Skipsey M Scott D Robinson D Jackson	Kick off meeting held with team. Spend analysis validation complete.	Very dynamic market based on commodities.				Need agile solution to meet requirements. Need to influence the design spec. In House Street Lighting?
Highway Equipment & Materials	£2,451,284 (validated)	M Skipsey R Bradley R Burrell C Willows I Pollitt M Chicken M Newbould L Thornton	Kick off meeting complete. Spend analysis validation complete.					New rock salt contract with savings.
Facilities Management		M Skipsey ???	Spend analysis validation started					
Foster Care with Independent Agencies	£1,924,914	M Skipsey Jackie Ward? Lynn Sparrey?			M'bro Framework Agreement	Trying to arrange a meeting to discuss implementing M'bro framework		

Category	Expenditure	Category Team	Initiation	Insight	Innovation	Implementation	Improvement	Comments
Catering	£1,296,512	A Lench L Thornton A Brown Sub-regional catering managers			Food Supply Contract Review complete	Planning for new contracts.		
Social Care Adults	£15,789,525	M Skipsey M Graham M Smiles T McPartland	Meeting with L Hanley scheduled to kick off. Spend analysis validation started in MH/LD.					
Consultancy	£2,363,586							OGC category currently under review.
Training & Conferences	£954,551							
Leisure Services	£1,211,334							
Medical	£435,061							
Traffic Management	£444,418							
Transport	£4,801,674							R&C Framework

Proposed EIT Year 2 Programme

Partnering Categories

- Libraries, Museums, Archaeology and Archives
- Revs & Bens
- Environmental Health, Trading Standards, Licensing, Building Control
- HVE, Highways, Building Maintenance (trading)
- Facilities Management
- Xentrall Expansion – Redcar
- Procurement – Tees Valley
- Health / Hartlepool Community /Service Development
- Commissioning Transport – Tees
- Street Lighting – Durham PFI
- Street Lighting – Darlington/Hartlepool
- Adult Education

Review Categories

- Housing and RED
- Events, Arts & Tourism
- Children & Young Peoples Assessment/Field Work
- School Catering
- Built & Natural Environment
- Mental Health, Learning & Disability

Gateway Categories

- Admin, Business Support, Customer Services & Performance Management
- Sport, Leisure & Recreation

Reporting In Categories

- Procurement / Commissioning Function
- Building Asset Review
- ICT Services

COUNCIL TAX INCREASE 2.5% 2010/11
58p per week at Band D

2010/11	£	£
Resource Allocation Required		152,412,091
Resources available:		
Government Grant	78,196,322	
Council Tax @ 2.5% increase	71,244,646	
SBC Resources	2,971,123	(152,412,091)
		0

2011/12	£	£
Resource Allocation Required		148,910,676
Resources available:		
Government Grant	75,589,778	
Council Tax	71,244,646	
SBC Resources	2,076,252	(148,910,676)
		0

2012/13	£	£
Resource Allocation minus Operational Efficiencies		149,562,485
Resources available:		
Government Grant	72,983,234	
Council Tax	71,244,646	
SBC Resources	3,400,000	(147,627,880)
Budget Gap to be met by EIT Year 2 / Partnering		1,934,605
Budget Gap at 2% Council Tax increase		2,282,261

COUNCIL TAX INCREASE 3.0% 2010/11
69p per week at Band D

2010/11	£	£
Resource Allocation Required		152,412,091
Resources available:		
Government Grant	78,196,322	
Council Tax @ 2.5% increase	71,592,302	
SBC Resources	2,623,467	(152,412,091)
		0

2011/12	£	£
Resource Allocation Required		148,910,676
Resources available:		
Government Grant	75,589,778	
Council Tax	71,592,302	
SBC Resources	1,728,596	(148,910,676)
		0

2012/13	£	£
Resource Allocation minus Operational Efficiencies		149,562,485
Resources available:		
Government Grant	72,983,234	
Council Tax	71,592,302	
SBC Resources	3,400,000	(147,975,536)
Budget Gap to be met by EIT Year 2 / Partnering		1,586,949
Budget Gap at 2% Council Tax increase		2,282,261

COUNCIL TAX INCREASE 1.5% 2010/11
35p per week at Band D

2010/11	£	£
Resource Allocation Required		152,412,091
Resources available:		
Government Grant	78,196,322	
Council Tax @ 2.5% increase	70,549,334	
SBC Resources	3,666,435	(152,412,091)
		0

2011/12	£	£
Resource Allocation Required		148,910,676
Resources available:		
Government Grant	75,589,778	
Council Tax	70,549,334	
SBC Resources	2,771,564	(148,910,676)
		0

2012/13	£	£
Resource Allocation minus Operational Efficiencies		149,562,485
Resources available:		
Government Grant	72,983,234	
Council Tax	70,549,334	
SBC Resources	3,400,000	(146,932,568)
Budget Gap to be met by EIT Year 2 / Partnering		2,629,917
Budget Gap at 2% Council Tax increase		2,282,261

HOUSING REVENUE ACCOUNT – 2010/11 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.

In previous years the government have moved the convergence date to ensure that rents are still affordable. The 2010/11 Draft Housing Subsidy settlement has proposed that rent convergence be brought forward from 2024 to 2012.

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

The proposed average increase for 2010/2011 of 2.48 % equates to £1.59p per week which gives an average weekly rent of £65.60p. The proposed increase compares to an increase of 3% or £1.92p in 2009/10. Below is an average increase for each bedroom type:-

	Rent Increase £	Rent Increase %
0 Bedrooms	£1.38	2.77%
1 Bedroom	£1.65	2.93%
2 Bedroom	£1.59	2.49%
3 Bedroom	£1.55	2.24%
4 Bedroom	£1.51	2.07%
5 Bedroom	£1.48	1.94%
AVERAGE	£1.59	2.48%

A review of service charges will be conducted by the Council and Tristar Homes Limited in the new-year in accordance with DCLG guidelines.