

STOCKTON-ON-TEES BOROUGH COUNCIL

CABINET RECOMMENDATIONS

PROFORMA

Cabinet Meeting24th February 2011

1. Title of Item/Report

Medium Term Financial Plan Update and Budget 2011/12

2. Record of the Decision

Members considered the final report in determining the Council's 2011/2012 budget and Medium Term Financial Plan (MTFP) for 2012/2013 onwards, which also incorporated Council Tax proposals and the approach to the financial issues faced by the Council.

A table detailing the current MTFP for each of the Council's services was provided, together with commentary relating to changes in the position since the last quarter report. The current General Fund balances were anticipated to be £11.3m, which was £3.4m above the 3% level of balances held as provided by current policy.

It was noted that the Council's Housing Stock had now transferred to Tristar Homes/VELA Housing, resulting in a £140m investment in social housing across the Borough, and therefore the Housing Revenue Account would now close and a number of costs associated with this account would now transfer to the Council.

The Council had received its final Finance Settlement as follows:-

- £9.2m was transferred to our Revenue Support Grant base position from Specific and Area Based Grants in line with national changes.
- Our Revenue Support grant will reduce in cash terms by 12.1% in 2011/12 and a further 8.7% in 2012/13.
- Out of the remaining £30m of Specific and Area Based Grants, £16m will continue, albeit at a reduced rate, the majority being 'unringfenced', £9.4m will stop and we are still awaiting further details in respect of £2.3m.
- Overall, based on current confirmed information, Government funding will in 2011/12 reduce from approximately £117m to £94m, a

reduction of 19.7%.

The Council would also benefit from additional resources in respect of Social Care with £648m available nationally and Stockton's provisional allocation in the region of £2.2m. It was unknown at this stage whether this would place additional responsibilities and costs on the Council and whether or not the funding was time limited and therefore this sum had not been included within the MTFP at this stage. The Council was also anticipating receipt of the New Homes Bonus to the sum of £775,000 for a period of 4 years for the 2011/2012 allocation although it was unclear whether additional resource would be received over and above this amount for future years and so again in the absence of clarity, no additional resources had been included in the Council's estimates.

Members were advised that the Council had adopted a managed approach to savings and efficiencies for many years and this had contributed savings in the MTFP by 2012/13 of £8,820,000.

As part of the Comprehensive Spending Review and Finance Settlement, the Government had made a commitment to fund a Council Tax freeze in 2011/12. This was for a one year freeze, with funding allocated to Councils to cover a four year period, with no certainty thereafter. Whilst there was the option of setting a Council Tax increase higher than this amount, the Council would not benefit from the Government funding (equivalent to a 2.5% increase) and the Government had announced that any increase above 3.5% may result in Councils being capped. Given the financial benefit to our residents of a freeze, it was recommended that this be adopted for 2011/12. From 2012/13 onwards, the Government proposed to introduce legislation that would require any authority which sets an "excessive" Council Tax to hold a referendum. Whilst Council Tax from 2012/13 onwards would be determined in future budget reports, it was necessary for financial planning purposes to make assumptions as to future Council Tax levels. For planning purposes an increase of 3.5% had therefore been assumed in each of the years from 2012/13 to 2014/15, as this was consistent with the Government's current capping limits.

The Council's MTFP had been reviewed and updated, based on the final Finance Settlement for the next 2 years. Future years' funding had been estimated but could only be considered indicative. Given lack of information available and the impending review of Local Government Finance this could change significantly. A table detailing the Council's financial position from 2011-2015 was provided indicating a predicted budget gap rising from £1.5m in 2011/12 to £13.7m in 2014/2015.

Consideration was then given to a number of unavoidable service

pressures that also needed to be incorporated into Council expenditure plans which would further increase the budget gap for the same period. The Council therefore needed to ensure that robust mechanisms were in place to set a balanced budget and savings had been identified for incorporation within the MTFP including £800k in 2011/12 from monies set aside in support of BSF, and £270k from organisational restructures within CESC's School Improvement Service and Senior Management Structure. Savings from EIT reviews approved by Cabinet recently were also summarised with regard to Back Office Services; Sports, Leisure and Recreation; Built & Natural Environment; Youth Services and School Meals. Incorporation of these savings would contribute £2.3m in 2011/2012 rising to £4.9 in 2014/2015.

Consideration was also given to ongoing Year 2 EIT reviews likely to generate further savings such as review of assets, a review of the Tees Valley Museums Trust, a review of Adult Services Structure, and a review of operational structures in Highway Management. Procurement had also been identified as one of the key tools and mechanisms to deliver savings. Overall, incorporation of these savings would achieve savings of £839k in 2011/2012, rising to £2.5m by 2014/2015. This would still leave a budget gap of £2.9m rising to £10.2m. Cabinet had also approved options for achieving a further £360k savings from minor amendments to the Concessionary Fares policy and a small reduction in the number of subsidised bus routes and further reviews to be undertaken as part of the EIT Year 3 programme would seek to generate future savings of £3m.

A table summarising the effect of all of the above savings on the MTFP was submitted indicating a residual budget gap rising from £2.2m in 2011/2012 to £6.2m in 2014/2015. The Council would continue to also explore partnering opportunities in the future with a range of partners and over a range of services and in recognition of the current financial position, consultation had also commenced on the need to review employees' terms and conditions (approved by Cabinet-20th January 2011).

Members were advised of the capital budget position and medium term capital plan for 2011/2012 onwards which included Government funded allocations for Education capital (£5.6m), Local Transport Plan (£3.3m) and Social Care (£0.4m). Part of the Council's capital programme would be required for the demolition of Billingham House, leaving £450,000 in available capital resources.

The Council had also been affected by in year reductions in grants to the value of £3.6m in this financial year and further changes had been announced by the Government in the way grants were to be administered. The Council currently received approximately £30m in

other Area Based or Specific Grants; the key points of which indicated that:-

- The funding streams incorporated amount to approximately £11.4m in 2010/11, although this supports £12.4m of spend as the in-year cut was supplemented by other resources in the current financial year.
- The provisional allocation was £9.34m in 2011/12, rising to £9.5m in 2012/13.
- The Grant includes SureStart and Connexions and was now unringfenced.

Given that from 2011/12 there was a significant shortfall in funding of £3m in these areas, and given the funding was no longer ringfenced, Members agreed in December that this service be subjected to an urgent task and finish review to deliver significant savings and ensure a focus on more targeted services. Staff and providers of commissioned services were advised of this position and any savings made above the £3m would contribute to the budget gap mentioned earlier in the report. Some services had been identified which were neither statutory nor a priority, or where the service was reliant upon Primary Care Trust (PCT) funding which was no longer available, and these services would cease from 31 March 2011. These were Futurity, Contact Point, Healthy Schools Initiative, Brook (Teenage Pregnancy), Teesside Positive Action, Young People, Stockton Parent Support and Childrens Society (Participation project). The remaining services were incorporated into the EIT review. A representative from Futurity Tees Valley was in attendance at the meeting and advised members of the background to the play element of the service, its achievements and service delivery, particularly across deprived areas, and questioned how the cessation of this service would impact on these areas. It was noted that the Council would do all it could to examine alternative ways of providing a service to priority areas.

Reviews being undertaken by Children and Young Peoples Select Committee had been planned around 3 categories within this funding area:

- Childrens Centres & Early Years
- Connexions (this will link closely with Youth review)
- EIG front-line services.

An initial report in respect of Connexions had been approved at Cabinet on 17 February and the recommendations would now be implemented. Given the funding ceases with immediate effect on 31 March 2011, the

continuation of these services at the current level was unsustainable. A report would be presented to Cabinet in June outlining plans to reduce the service expenditure covered by these grants and to ensure the required savings were delivered during 2011/12. It was also worthy of note that a number of these services would also attract PCT funding. Given the timescales of this review and the consultation process involved, the reduction of services required would not happen from 1 April 2011 and there would inevitably be transition costs. In order to manage this transition, up to £2.25m could be required and it was recommended that this is funded from Corporate Balances.

Grants totalling £9.6m would stop this financial year; the main ones being Working Neighbourhoods Fund (£4.4m) and Future Jobs Fund (£1.2m). Although the Council had not entered into any contracts and there was no impact on the Medium Term Financial Plan, this reduction in funding would still have a significant impact on the Council and Borough. These also include a number of grants which would cease where there will be an immediate impact on the Council (e.g. National Education Strategy, School Development Grant, etc), which equates to approximately £3.6m. Whilst clarification of funding on a number of other grants was still awaited, notification had been received that the Council would receive £203k in 2011/12 in respect of Safer Stronger Communities; reducing to £103k in 2012/13.

Previous budget reports had identified potential 'one off' funding available for use in supporting the Council, which could not be used to support ongoing expenditure and whilst it could be used to supplement budgets in a particular year, it could not support ongoing budget gaps. The Council's one off funds currently available had been re-assessed as follows:-

£'m	
Pension Reserve	3.3
Grant Exit Strategy reserve	1.5
PSA Reserve	1.1
Asylum Reserve	0.7
Street Lighting	0.26
Planning for the Future	0.14
	7.0

There was also a current surplus of £3.4m on the Councils Working Balances. In addition, the Insurance Fund could manage without the annual contribution of £1.9m for a period of three years, and this was therefore also available as one off resources. This would mean the Council had available 'one-off' resources of £12.3m in 2011/12 and £1.9m in 2012/13 and 13/14.

There were a number of areas where the Council was likely to require

balances to allow time to deliver budget savings and to fund transition costs. It was therefore proposed that the above 'one-off' resources be utilised on the following areas, and appropriate reserves be established:

- Funding of the 2011/12 budget gap £2.287m.
- Funding transition and grant exit costs up to £2.75m.
- The significant scale of change outlined will inevitably result in transition costs and redundancy payments. There will also be a need in a range of areas, for one-off 'invest to save' funding in order to assist with the delivery of savings. It is therefore recommended that the remaining 'one-off' funding of £11m be utilised to establish a reserve to cover transition and implementation costs.

Stockton's current tax level for 2010/11 at Band A was £814.35 (£15.66 per week) and no increase was proposed for 2011/12. The Police were expected to similarly confirm a freeze on their council tax equating to a precept of £11,074,777 (£125.33 at Band A). The Fire Authority had also determined to freeze the precept of £3,771,617; Band A at £63.97). Members were also provided with details of all of the Parish precepts for 2011/12.

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
 - c) that the controlled reserves and provisions are adequate for their purpose.

General Fund Budget

2. A 2011/12 budget requirement for Stockton-on-Tees Borough Council of £149,938,256 be approved.
3. A 2011/12 budget requirement for Stockton-on-Tees Borough Council inclusive of Parish Precepts (£592,970) of £150,531,226 be approved.
4. The 2011/12 budget and indicative 2012/15 MTFP as outlined in paragraph 32 of the report and the use of balances and reserves as outlined in paragraph 58, be approved.

5. Members note the continued support for the Voluntary and Community Sector, through the retention of the Voluntary Sector Support Package, earmarking a reserve to develop and commission new models of delivery for Children and Adult Social Care, protection of advice services and the development of an Asset Transfer Policy.

6. Members note the Efficiency, Improvement & Transformation (EIT) review of the services funded by Early Intervention Grant (EIG) and approve the ceasing of services which are neither statutory or a priority, as outlined in paragraph 46

Taxation

SBC

7. The Council Tax for Stockton-on-Tees Borough Council, prior to Parish, Fire and Police Precepts, be retained at 2010/11 levels i.e. £1,221.53 at Band D (£814.35 at Band A).

Fire, Police & Parish

8. The Council note the anticipated Police Precept of £11,074,777, which equates to a Council Tax of £187.84 at Band D (£125.23 at Band A).

9. The Council note the Fire Precept of £3,771,617, which equates to a Council Tax of £63.97 at Band D (£42.65 at Band A).

10. The Council note the Parish precepts as set out in paragraph 62 of the budget report.

Capital

11. The Capital Programme for 2011/12 at Appendix D approved.

Council Tax - Statutory Requirements

12. Members approve the statutory requirements for Council Tax as identified at Appendix F.

Treasury Management/Prudential Code

13. The Treasury Management Strategy, Minimum Revenue Provision Statement, Investment Strategy and Prudential Indicators for 2011/12 – 2013/14 as set out in Appendix G to the report be approved.

Attendance at Court

14. The following postholders be authorised to prosecute, defend or appear in proceedings before the Magistrates Court in relation to Council Tax, Business Rates (NNDR) and Business Improvement Districts (BID charges).

- Corporate Director Resources
- Head of Customer Services & Taxation
- Taxation Manager
- Assistant Taxation Manager
- Development & Systems Manager
- Recovery Officer
- Council Tax Billing Team Leader
- Business Rates Officer
- Development Officer
- Systems Officer
- Customer Liaison Officer
- Valuation and Billing Assistants
- Visiting Officer
- Taxation Assistants

3. Reasons for the Decision

To update Members on the current MTFP position and approve the 2011/12 Budget and Council Tax.

4. Alternative Options Considered and Rejected

None

5. Declared (Cabinet Member) Conflicts of Interest

Each of the Cabinet members present declared a personal, non-prejudicial interest in respect of this item due to the fact that they were Council Tax payers.

6. Details of any Dispensations

Not applicable

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

Not applicable

Proper Officer
28 February 2011