

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

8 SEPTEMBER 2011

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Corporate Management & Finance – **Lead Cabinet Member - Councillor Harrington**

MEDIUM TERM FINANCIAL PLAN UPDATE – JUNE 2011

1. Summary

This report is to update Members on the current financial position of the Council.

2. Recommendation

That the Medium Term Financial Plan (MTFP) and the current level of general fund balances be approved.

3. Reasons for the Recommendation/Decision

To update Members on the Council's financial position.

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

8 SEPTEMBER 2011

REPORT OF CORPORATE MANAGEMENT TEAM

CABINET DECISION

MEDIUM TERM FINANCIAL PLAN UPDATE

SUMMARY

This report is to update Members on the current financial position of the Council.

RECOMMENDATION

That the Medium Term Financial Plan (MTFP) and the current level of general fund balances be approved.

DETAIL

FINANCIAL POSITION

General Fund

1. The following table details the current MTFP position of each service. Recent reports have identified the difficult financial position facing the Council and officers are considering carefully expenditure in all areas.

Service Reserves (MS)/MC	Previously reported position at 31/3/2012 (MS)/MC's £'000's	Projected Outturn position at 31/3/2012 (MS)/MC's £'000's	Projected Outturn position at 31/3/2013 (MS)/MC's £'000's	Projected Outturn position at 31/3/2014 (MS)/MC's £'000's
CESC	(1,420)	0	0	0
D&NS	(192)	(192)	0	0
RESOURCES	(37)	(223)	(223)	(223)
LAW & DEMOCRACY	(121)	(146)	(64)	0
POLICY & COMMUNICATIONS	(136)	(196)	(196)	(196)
TOTAL	(1,906)	(757)	(483)	(419)

Children, Education and Social Care

2. The report to Members in July 2011 outlined a range of pressures facing the service and indicated that the managed surplus would be required to fund these pressures. A report outlining the pressures associated with looked after children is elsewhere on the agenda and the remaining managed surplus of £1.4m is now expected to be utilised in the current financial year:

- Additional placements of varying costs and duration in agency children's homes has increased the pressure on this area which is forecast to cost an additional £750,000.
- The number of children in independent foster care is resulting in pressures of £400,000. Members will be aware that following the EIT review in this area, the Council are actively campaigning to recruit more in-house foster carers and are investing in two in-house children's homes. These changes have not yet impacted upon the position, but should assist with managing these pressures in the future.

There are also emerging pressures within Learning Disability and this will be considered as part of the EIT review.

Many of the budget areas and pressures are extremely volatile and it is difficult to predict changes, and this will be monitored constantly throughout the year.

Members will also be aware from the budget report of the transfer of resources from the PCT to support social care. The Council have now received this resource of £2.2m and will be considering how it can be used to support services and the Council's Medium Term Financial Plan.

Development & Neighbourhood Services

3. Although there is no change to the overall managed surplus at the moment, there are indications that planning fee income may be below target. This again is extremely volatile and will be monitored closely throughout the year

Current Financial Climate

4. There are a significant number of issues and developments which will impact on the Council and some of these are outlined below:
 - Localisation of Business Rates: The Government have published proposals around localisation of business rates. Eight technical papers have now been received and this was covered at the Members Seminar on 6 September.
 - Council Tax Benefit: A consultation exercise is underway to devolve responsibility for all aspects of Council Tax Benefit to local authorities. This includes a proposal to reduce budgets by 10%. If this was a universal reduction, Stockton would lose approximately £1.7m. Council's then will need to develop a local scheme to allocate benefits. Again, this was covered at the Members Seminar on 6 September.
 - Academy funding: There is a consultation on the methodology of funding Academies for 'Central' services. The option proposed is one using estimates of Academies nationally without any links to actual numbers of Academies in the borough. This would have a detrimental impact on Stockton and we have responded to the consultation accordingly.
 - Various other consultation papers may have an impact on local government finance such as Public Health responsibilities transferring to Local Authorities, Dilnot review, Munro review, changes to Youth Justice Grant distribution etc. There are also proposals to transfer elements of the Social Fund Scheme to Local Authorities as part of changes to the Welfare Benefit system. These will be considered further when more detail becomes available.

The above issues will be considered and reported as part of future MTFP review reports.

General Fund Balances

5. General fund balances are expected to remain at the level previously reported of £9.4m which is £1m above the 3% recommended target and given the current financial climate it is recommended that these resources are retained.

Capital

6. The Capital budget for 2011/12 is outlined in the following table:

	Approved Budget £000's	Revised Budget £000's	Outturn £000's	Variance £000's
Children, Education and Social Care	12,251	14,577	13,335	(1,242)
Development & Neighbourhood Services	18,870	23,932	23,962	(6)
Resources	2,335	3,576	3,576	0
Total Programme	33,456	42,085	40,837	(1,248)

The revised budget has increased by £6million to take account of variances caused by slippage in 2010/11 as previously reported to members. Since then a number of additional schemes, totalling £3.5m have been incorporated into the Council's Capital Programme and the Town Heritage Initiative scheme (£2.1m) has been reprofiled to reflect the current timescales of the scheme which will commence in 2011/12.

The additional schemes in 2011/12 include:

Disabled facilities	£1m
Winter maintenance	£0.44m
Teesside Park egress	£0.44m
Yarm Lane access	£0.53m

The schemes are to be financed by additional grants and contributions of £2.6m, revenue contributions of £0.3m which were already incorporated into the medium term financial plan and developer's contributions of £0.6m.

The variance shown of £1.2m arises mainly within the schools capital budget where savings have been made on a number of schemes where favourable tenders have been received.

FINANCIAL IMPLICATIONS

7. To update the MTFP.

LEGAL IMPLICATIONS

8. None

RISK ASSESSMENT

9. The update of the MTFP is categorised as low to medium risk and is covered by existing management arrangements.

EQUALITIES IMPACT ASSESSMENT

10. Not applicable

CORPORATE PARENTING

11. Not applicable

CONSULTATION INCLUDING WARD/COUNCILLORS

12. Not applicable.

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