

STOCKTON-ON-TEES BOROUGH COUNCIL

CABINET RECOMMENDATIONS

PROFORMA

Cabinet Meeting16th January 2013

1. Title of Item/Report

Medium Term Financial Plan update and Strategy

2. Record of the Decision

Cabinet considered a report that provided an update on the Council's Medium Term Financial Plan (MTFP) position for 2013 to 2017. It included areas where there were uncertainties and sought agreement to an approach for addressing budget pressures and budget gaps.

It was explained that the Council had seen a significant reduction in resources over the past few years. Between 2010/11, and 2013/14, there had been a total reduction of £34m which was approximately a 30% cash reduction in Government Funding (approximately 40% in real terms).

Members were reminded of the current approved MTFP, which estimated the following budget gap:

2013/14 - NIL
2014/15 - £897,000
2015/16 - £7,861,000
2016/17 - £11,614,000.

The approved MTFP had included a number of assumptions relating to:-

- government funding
- a restricted Council Tax level
- staff pay increases.

The Plan also included the savings coming from the Council's planned approach to efficiency measures over the past three years.

Members were provided with details of a number of announcements / changes that needed to be considered in terms of their impact upon the Council's approved MTFP. These included:

- Introduction of a Business Rate Retention System
- Reductions in Government Funding

- New Homes Bonus
- 2% Council Tax Referendum level
- Localisation of Council Tax benefit
- Council Tax Freeze Funding
- Public Health Funding transfer

It was explained that the MTFP had been reviewed and members were advised of a number of issues that needed to be incorporated in to it:-

- Some minor amendments due to returns on investments being lower than estimated.
- Income associated with the invest to save schemes.
- Demand Led pressures, particularly in respect of Looked After Children, requiring an increase in the budget in this area.
- Unallocated funding associated with Public Health
- Proposed changes to Council Tax Discounts

Cabinet was also provided with details of:

- what Council Tax Income could be generated, should the Council agree to a rise in excess of the 2% referendum limit.
- additional pressures, should the Council take up the Council Tax freeze funding.

It was explained that the current approach for allocating resources to Services provided for an inflationary element, included in the plan and budget gap of future years. It was proposed that the Council revised this approach and placed a freeze on all budgets across the medium term financial plan, other than pay, where the assumptions included a provision for 1% increase in 2013/14 and 2014/15, with 2% thereafter.

Given recent trends in the high cost areas of Looked After Children, Adult Social Care and Energy and Waste, it was suggested that a contingency be included for growth. If it was assumed this was £1.8m per annum, then the change would remove inflationary increases valued at £700,000 in 2013/14 rising to £4m by 2016/7. This meant that all services would be operating with a standstill budget for the next four years, which would be a reduction in real terms.

It was noted that there had been many changes to the MTFP, since the budget was set for 2012/13. Members were provided with a table summarising potential income and expenditure and noted the estimated budget gap:

2013/14 - £ 3,811,000;
2014/15 - £7,451,000

2015/16 - £ 15,618, 000

2016/17 - £20,888,000

Members then considered an approach to budget savings going forward

Cabinet agreed that although the current plan included savings of almost £20m, it was clear additional savings were required and difficult decisions would need to be made.

Members were provided with details of on-going and planned work to identify further savings. This included:

- A Review of 'big ticket' areas of Energy and Waste, Adult Social Care and Looked After Children.
- Invest to Save schemes
- Other issues which would be considered by Cabinet before implementation

There was a clear focus on the big ticket areas, even if they fully delivered on the objectives and removed the growth provision from the MTFP, which, given the level of growth in recent years was extremely ambitious, then there would still be an estimated gap of approximately £14m by 2016/17. Realistically, the gap would be between £14m and £21m.

The Council was in a position, that through careful financial management, the 2013/14 position could be managed through one off resources which would allow it to continue the managed approach to delivering savings to address the gap in future years. The final 2013/14 budget report to Cabinet and Council would provide an update on the Final Settlement and focus on setting the 2013/14 budget.

The Council needed to examine all other areas of spend to identify savings, to address the gap. It was therefore proposed that potential savings and service reductions were identified, assessed and discussed in the Spring and Summer of this year as follows:

1. Officers develop proposals for potential savings or service reductions
2. Member discussion & evaluation – March/April, including Cabinet, Executive Scrutiny and Members seminars
3. Final proposals to Cabinet – 16 May 2013
4. Final proposals to Council – 12 June 2013

A series of meetings would be placed in members' diaries.

The reports to Cabinet and Council would outline the proposals for consultation, potential phasing and an implementation plan. It was likely that for some proposals, external consultation would be appropriate, whilst, for others, this might not be required and the changes could be implemented as soon as possible, after June next year. It was also possible that some of the savings might be deliverable in 2013/14, which could reduce the call on one off resources.

Members were reminded that resource of £13.8m had been earmarked for a transformation reserve across the MTFP, to support transition and implementation costs such as redundancy costs and invest to save initiatives. The report also earmarked £6.5m to support investments. Given the requirement to now fund the 2013/14 budget gap, as well as Cabinet's support for allocation of funding for Stockton Town Centre and the Local Authority Mortgage Scheme, the position on reserves would be considered fully as part of the budget report.

The Council would continue to manage service changes sensitively and proactively and had a long history of doing so. Given the extent of change and the budget reductions outlined above and in the report there would clearly be a further reduction in the number of posts over the coming MTFP period.

It was clear that a period of uncertainty was beginning for employees, and the HR service was continuing to ensure that a package of employee support and targeted training was available to all employees.

RESOLVED that the current financial position be noted and the approach to the development of the 2013 – 17 MTFP, as detailed in the report, be agreed

3. Reasons for the Decision

To update Members on the Council's financial position

4. Alternative Options Considered and Rejected

None

5. Declared (Cabinet Member) Conflicts of Interest

Councillors Cook, Beall, Coleman, Dixon, Mrs McCoy, Nelson and Smith declared a disclosable pecuniary interest in this item due to having beneficial interests in property in the borough/ being Council Tax Payers.

6. Details of any Dispensations

The Council's Monitoring Officer had granted a dispensation to all members of the Council allowing them to participate in discussions and voting relating to the setting of the Council's Council Tax/Budget.

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

Midnight on Friday, 25 January 2013

Proper Officer
21 January 2013