

STOCKTON-ON-TEES BOROUGH COUNCIL

CABINET RECOMMENDATIONS

PROFORMA

Cabinet Meeting21st February 2013

1. Title of Item/Report

Medium Term Financial Plan Update and Strategy

2. Record of the Decision

Members considered the final report in the process of determining the Council's 2013/2014 budget and Medium Term Financial Plan (MTFP) position to 2017. It was explained that there had been a number of changes in the MTFP since the report to Council in February 2012, mainly through changes in Government Funding. It was noted that whilst the report outlined a balanced budget position for 2013/14, there were significant financial pressures in future years and the report outlined the approach to addressing those issues.

Members were reminded that the Council had seen a significant reduction in Government Funding over the past few years. Between 2010/11 and 2013/14, there had been a total reduction of £31m which was approximately a 25% cash reduction (approximately 35% in real terms).

The Council had received, as part of the Local Government Finance Settlement, the information on government funding for 2013/14 and 2014/15. Future years were extremely uncertain and estimates had been made based on information available from government announcements. It was explained that there would be a Comprehensive Spending Review in 2013, which would impact on the position.

It was anticipated that there would be a further reduction in government funding of around £20m by 2016/17, a total of £51m over 7 years and approximately a 42% cash reduction (58% in real terms).

The Council had a long history of providing value for money and delivering strong financial management which had just been reinforced by the District Auditor in his report to Cabinet in January. As part of this approach, there was a strong track record of delivering savings and efficiencies and the Council would therefore be well prepared for the challenges ahead.

A table detailing the current MTFP for each of the Council's services was provided, together with commentary relating to changes since the previously reported position.

General Fund balances were expected to be £10.7m which was £2.2m above the 3% recommended target. It was explained that this would therefore be available as a one off resource.

Members were reminded of the Medium Term Financial Plan agreed by Council 29 February 2012. This estimated the following budget gap:

£' 000

2013/14 -	0
2014/15 -	897
2015/16 -	7,861
2016/17 -	11,614

Members had agreed that it would increase Council Tax by 3.49% in 2012/13 as opposed to freezing the levels and accepting a Government Grant. Had the Council accepted the grant then the budget gap would have been approximately £2.6m higher per year from 2013/14.

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

- Government funding
- a restricted Council tax level of 3.49% for future years
- staff pay increases

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

Members were provided with details of a number of recent 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

Cabinet was provided with details of the impact of the Government funding announcements and the restrictions on Council Tax increases on the MTFP. Details of the pressures on the MTFP, should the Council take up the Council Tax freeze funding available from the government, were

also provided.

Given the level of additional pressure caused by the freeze it was recommended that the Council increases Council Tax by 1.9%. This would mean a 46p per week increase for a Band D Council Tax and 31p per week for Band A.

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
- Funding associated with Public Health
- Income associated with the invest to save schemes
- Changes to Council Tax Discounts

With regard to the changes to Council Tax Discounts, Cabinet was provided with details of the scheme and was asked to recommend that Council make the following determinations pursuant to section 11A and 11B of the Local Government Finance Act 1992, with effect from 1 April 2013:

 Under Section 11A, for classes A B C and D as defined by the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 as amended by the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 the discount under section 11(2)(a) of the Local Government Finance Act 1992 shall not apply.

 Under Section 11B, the discount under section 11(2) (a) of the Local Government Finance Act shall not apply and an additional premium of 50% (making a total 150% charge) shall apply to long term empty dwellings after two years subject to the provisions of the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 as amended by the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012.

It was explained that the current approach for allocating resources to Services provided for an inflationary element, included in the plan and budget gap for future years. It was proposed that the Council revised this approach and placed a freeze on all budgets across the MTFP, other than pay, where the assumptions included a provision for a 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 was 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 is a reduction in real terms.

Taking account of the changes detailed would result in the following budget gap position:

	£'000
2013/14	2,609
2014/15	5,841
2015/16	13,952
2016/17	19,252

Members then considered an approach to achieving the necessary budget savings going forward.

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

Cabinet was provided with details of on-going and planned work to identify further savings.

In advance of this work officers had been reviewing expenditure and some savings had been identified which could be incorporated into the plan and would reduce the budget gap. It was suggested that to ensure a balanced budget position the remaining gap for 2013/14 be funded from investment reserves.

Members recognised the many changes to the Council's MTFP since the budget was set for 2012/13 and was provided with the Council's MTFP reflecting the issues referred to above. Members noted the budget gap as follows:

	£'000
2013/14	0
2014/15	4,439
2015/16	12,547
2016/17	17,846

Members were then provided with details relating to the Council's :

- reserves and calls on one off resources
- Capital Programme
- Pay Policy Statement
- Statutory Requirements for Council Tax
- Treasury Management/Prudential Code

Cabinet considered the Members' Allowance scheme and noted that it was linked to the annual pay award for staff. Cabinet proposed that Members allowances be frozen in 2013/14.

RECOMMENDED to Council that:

2. That 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

3. Members note the anticipated reduction in Government funding between 2010/11 and 2016/17 of £51m (approximately 42% in cash terms, 58% in real terms).
4. It approve a 2013/14 Council Tax requirement for Stockton-on-Tees Borough Council of £63,981, 273.
5. It approve a 2013/14 Council Tax requirement for Stockton-on-Tees Borough Council inclusive of Parish Precepts (£557,508) of £ 64,538,781
6. It approve the 2013/14 budget and indicative 2013/17 MTFP, as outlined in paragraph 50 of the budget report and the use of balances and reserves as outlined in paragraph 58 to 60.

Taxation

SBC

7. It approve the Council Tax for Stockton-on-Tees Borough Council prior to Parish, Fire and Police Precepts be increased by 1.9% i.e. to £1288.18 at Band D (£858.79 at Band A).

8. It approve the changes to Council Tax charges for empty dwellings to take effect from 1 April 2013 as outlined in paragraphs 34-36 of the budget report.

Fire, Police & Parish

9. it note the Police precept of £9,848,227 which equates to a Council Tax of £198.28 at Band D (£132.19 at Band A).

10. it note the Fire precept of £3,365,501, which equates to a Council Tax of £67.76 at Band D (£45.17 at Band A).

11. The Council note the Parish precepts as set out in paragraph 68 of the budget report.

Capital

12. Approve the Capital Programme attached at Appendix C of the budget report.

Pay Policy

13. The Pay Policy Statement attached at Appendix D to the budget report be approved.

Members Allowances

13. That the Members allowances be frozen for 2013/14.

Council Tax - Statutory Requirements

14. Members approve the statutory requirements for Council Tax as shown in Appendix E.

Treasury Management/Prudential Code

15. Approve the Treasury Management Strategy, Minimum Revenue Provision Statement, Investment Strategy and Prudential Indicators for 2013/14 – 2015/16 as set out in Appendix F to the report.

3. Reasons for the Decision

To update Members on the current MTFP position and approve the 2013/14 Budget and Council Tax.

4. Alternative Options Considered and Rejected

None

5. Declared (Cabinet Member) Conflicts of Interest

None

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

Not applicable.

Proper Officer
25 February 2013