

## CABINET ITEM COVERING SHEET PROFORMA

**AGENDA ITEM**

**REPORT TO CABINET**

**4 SEPTEMBER 2013**

**REPORT OF  
CORPORATE  
MANAGEMENT TEAM**

### **CABINET DECISION**

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

#### **MEDIUM TERM FINANCIAL PLAN UPDATE – JUNE 2013**

1. Summary

This report is to update Members on the current financial position of the Council as at 30 June 2013 and provide details of the Spending Round in June and associated technical consultation documents issued in July 2013.

2. Recommendation

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

3. Reason for the Recommendation/Decision

Update Members on the Medium Term Financial Plan.

4. Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, 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 and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the

relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code)

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

### **Disclosable Pecuniary Interests**

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code).

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**Summary**

This report is to update Members on the current financial position of the Council as at 30 June 2013 and provide details of the Spending Round in June and associated technical consultation documents issued in July 2013.

**RECOMMENDATION**

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

**DETAIL**

**FINANCIAL POSITION**

**General Fund**

1. The following table details the current MTFP position of each service. Members will be aware of the savings proposals presented by Cabinet to Council in June 2013 and in advance of these proposals officers have been continuing to monitor closely expenditure in all areas.

<b>Service Reserves (MS)/MC</b>	<b>Previously reported position at 31/3/14 (MS) / MC's £'000's</b>	<b>Projected Outturn position at 31/3/14 (MS) / MC's £'000's</b>	<b>Projected Outturn position at 31/3/15 (MS) / MC's £'000's</b>
CESC	(1,400)	(1,200)	(700)
D & NS	0	0	0
RESOURCES	(317)	(534)	(427)
LAW & DEMOCRACY	(161)	(171)	(151)
<b>TOTAL</b>	<b>(1,878)</b>	<b>(1,905)</b>	<b>(1,278)</b>

2. Members will recall that in setting the budget for 2013/14 all budgets were frozen and a growth provision of £1.8m per year was earmarked to deal with growth items within the 'Big Ticket' areas. This report outlines the potential call on that resource as well as the position of each Service. Further information in respect of progress of the 'Big Ticket' reviews will be provided to Cabinet as part of a separate report

## Children, Education and Social Care

### Big Ticket - Childrens Services

3. There are still increasing pressures in Looked After Children both in external placements and also foster allowances. The numbers of children in external placements have increased, and some children who were initially expected to be in placements for a short amount of time are now expected to be in long term placements. This will result in additional costs of £880,000. This is offset by some savings in the running costs of the Council's in house residential care homes of £235,000.
4. The numbers of children in foster care have again increased, and whilst some children have been placed with in house foster carers many have been placed within the independent sector. The projected overspend is currently £770,000.
5. Savings have also been identified within the Short Breaks budget of £125,000. The overall call on the growth provision for the Childrens element is £1.4m

### Big Ticket - Adults

6. There are a significant amount of reviews and work underway within this area, including the implementation of the recommendations associated with the Learning Disability Review and the Mental Health Review. There are a number of areas where there are pressures and cost increases but also there are a significant number of areas of savings, the majority of which are linked to work underway in respect of the Big Ticket Reviews :
7. There are cost pressures in the following areas:
  - Individual Client Budgets associated with Physical Disabilities, Learning Disability and Mental Health - £385,000.
  - New mental health clients placed in residential care - £250,000

The projected savings for this financial year are as follows:

- The above paragraphs identify an increase in client numbers and cost. Given some of the clients will contribute to the costs there is also an increase in income. There has also been proactive work around implementation of charging policies and overall this is expected to generate £380,000.
- Savings in advance of implementation of the mental health review through operating with vacant posts etc. is expected to save £330,000.
- The number of clients supported by the in house homecare service has reduced allowing savings of £290,000. There are also been work undertaken clarifying contracted hours delivered by commissioned homecare and indications are that this will save £90,000.
- Savings in advance of implementation associated with the learning disability review through operating with vacant posts etc. is expected to save £300,000.

The overall saving for the Adult area which is a combination of the savings and pressures above is £900,000. This means the overall requirement from the growth provision for Adults and Children is therefore expected to be £500,000.

8. The Big Ticket reviews are focussing on both of these areas and members will be aware of the Joint Venture with Spark of Genius which is currently being implemented which will bring children back to the Borough and save approximately £400,000 through an invest to save

scheme. This will help with the pressure moving forward and the reviews are also looking at fostering arrangements.

### CESC Other

9. Members will be aware from previous reports that there are changes in grants relating to schools following the introduction of Academies. The Education Services Grant is now top sliced in proportion to the number of pupils attending Academies in the Borough and those in Council maintained schools. An element of the grant is then paid to individual academies. The level of top slice does not directly correlate to the costs of services provided to schools and the Council still has statutory functions to deliver. The top slice in the current year is £680,000 and this is therefore a pressure in this area.
10. The services to which this grant relates provided to schools are being reviewed with a view to either reducing costs or introducing charging for services delivered to Academies, and whilst this will address some of the pressure going forward, it is unlikely to resolve the full gap. This problem is exacerbated by the announcement as part of the 2013 Spending Round that this grant will also be reduced by 25%. The impact of these changes going forward will be considered as part of the 2014/15 budget process.
11. Given the pressures in the service and in advance of the aforementioned review and the savings workplan, the service is continuing to monitor spend closely and there are a savings of approximately £380,000 to offset some of this pressure, through vacant posts, additional school income and court costs being below budget.
12. There are also savings of £90,000 across Adult Services and overall this means that there is a call on managed surplus of £200,000 reflected in the table above.

### **Development & Neighbourhood Services**

#### Big Ticket – Energy and Waste

13. There are savings anticipated in energy costs of approximately £100,000 due to the inflation in respect of street lighting being lower than estimated. There is also contracted price increase in concessionary fares costs of £100,000. There is therefore no call or contribution from DANS from the growth contingency.

#### DANS - Other

14. There are no reported variations to the managed surplus / MTFP however there are a number of emerging pressures which are being closely monitored and may require management action.
  - Planning applications are lower in the first quarter than anticipated and this could cause a financial pressure. Members will be aware that this is extremely volatile however and this is being monitored closely.
  - The income generated by Heating, Ventilation and Electrical Service has reduced considerably and this service therefore faces a significant pressure. There is however a fundamental review of the service underway and this will identify mitigating actions to address this issue.
15. Further updates on these areas will be provided throughout the year.

### **Resources**

16. The overall position for Resources is estimated to improve by approximately £200,000. There are a number of reviews underway and planned as part of the Council's savings programme

and the main reason for the variance is that these reviews are on target to deliver savings earlier than required.

## General Fund Balances

17. The report to members in June outlined that general fund balances had improved at the end of the financial year to £9.7m, which was £1.3m above the 3% recommended level. The surplus now stands at £1.7m. The change is in the main due to the final collection fund position for 2012/13 being £300,000 higher than anticipated.
18. Members will also be aware of the savings programme approved by Council in June 2013. This identified that savings of £1.95m would be generated in 2013/14, of which £1.275m was approved as utilisation of one off resources. These means that there is still £675,000 unallocated from this saving and available as one off resources.
19. Paragraph 8 identifies that the projected call on the growth provision for this financial year is £500,000 and if this were the case then there would be an additional £1.3m of one off resource available. Members will note from paragraph 3 however that the pressures in Looked After Children continue to grow and this could impact on the position.
20. The position with regard to balances will continue to be monitored closely and considered as part of the 2014/15 budget process.

## Capital

21. The Capital budget for 2012/18 is shown at Appendix A and summarised in the table below:

<b>CAPITAL PROGRAMME 2012-2018</b>	<b>Current Approved Programme</b>	<b>Programme Revisions</b>	<b>Revised Programme</b>
	£'000	£'000	£'000
Schools Capital	36,892,632	491,469	37,384,101
Housing Regeneration & Town Centres Schemes	51,155,112	54,730	51,209,842
Transportation	13,094,942	126,500	13,221,442
Other Schemes	11,469,233	3,741,267	15,210,500
<b>Total Approved Capital MTFP</b>	<b>112,611,919</b>	<b>4,413,966</b>	<b>117,025,885</b>

The main changes to the programme are as follows:

- Additional funding has been secured from schools delegated budgets to support the Schools Maintenance Programme (£273,000)
- Following flooding of the Bishopton Centre, a scheme to re-model the City Learning Centre on the Marsh House Avenue Site will be delivered and will provide a new permanent site for the Pupil Referral Unit at an estimated cost of £118,000. This was approved as part of the report to Cabinet on 16<sup>th</sup> May 2013, together as part of the development of a vocational training provision on that site. This will be funded from delegated schools budget and unallocated planned maintenance funds.
- A new scheme has been added to the programme for the installation of photovoltaic panels on Ian Ramsey School (£100,000). This will be funded by school contributions over a number of years, from the feed in tariffs generated.
- Additional funding from Sustrans and the Community Participation budget has been secured to support the Integrated Transport programme (£104,000).

- One off revenue funding has been set aside to fund the extension of Durham Road Cemetery and essential repairs to churchyard walls (£265,000)
- The programme has been increased to include the re-development of King Edwin School and associated property acquisitions, as per Cabinet Report approved in March, which estimated the costs at £2,000,000. Funding previously set aside to demolish the school (£300,000) will not now be required and these funding streams will now be combined to support this initiative.
- The Council was successful in its bid to Department of Health for funding to improve facilities for people suffering with dementia. A scheme has been designed for improvement works at the Halcyon Centre, which will commence in October (£577,000)
- As approved by Cabinet in May, £175,000 has been included to support the implementation of super-fast broadband
- A scheme to demolish the Blakeston School Site (part of Northshore Academy) has now been included in the programme (£608,000). This was approved by Cabinet in May and will be funded from future capital receipt generated from areas agreed for development.
- The server virtualisation scheme, delivered by Xentrall was completed within budget and this has been reflected in the programme.

## **IMPACT OF COMPREHENSIVE SPENDING ROUND AND TECHNICAL CONSULTATION**

### **Core Funding**

22. The Comprehensive Spending Round in June indicated a National reduction of 10% in LG Spend (real terms) but in cash terms 8.3%. This is a combination of retained business rates and revenue support grant.
23. Consultation documents issued on 31 July now indicate that the reduction in Local Government spending is higher overall by £1bn so the overall cash reduction is actually 13.1%. There was no indication that this would be forthcoming and the indications are that this is being used to fund an additional contribution to the National New Homes Bonus as well as using £800m to fund what had been outlined in the Spending Round as additional funding for social care new burdens (Dilnott), Independent Living Fund, Collaboration and Efficiency fund and monies for troubled families.
24. The Government have published indicative allocations for each Authority for 2014/15 and 2015/16 and the reduction for Stockton is actually 14.8%. The reason why this is higher than the National average will be due to distributional effects and this is still being examined.
25. This means that the overall reduction between 2014/15 and 2015/16 is £11.5m. This is £6m more than was assumed as part of the Medium Term Financial Plan in February 2013.

### **New Homes Bonus**

26. In addition to the reference above, the Comprehensive Spending Round outlined that £400m per year would be utilised from New Homes Bonus to contribute to the Local Growth Fund's to be operated through the Local Enterprise Partnerships.
27. The consultation documents outline that the mechanisms for this. New Homes Bonus will continue to be paid to Local Authorities. Local Authorities will then pay proportion to LEP's (35%) to contribute to the Growth Fund. Based on the current New Homes Bonus received, this will be £1.2m per year.

## **Other Announcements**

28. Funding to support Council Tax Freeze (1% Grant allocated) in 2014/15 and 2015/16 (only confirmed as available to end of spending review period)
29. Referendum level for Council Tax increases set at 2% for 2014/15 and 2015/16.
30. There is a reduction in Education Services Grant of 25% which will be an impact of £900,000. This is also now paid direct to Academies and the actual payment to Stockton will be dependant upon Academy conversions.
31. There will be £3.8bn nationally available to support aspects of Social Care. The majority of this funding appears to be top sliced from Health budgets and whilst it is unclear how this will be allocated, planned expenditure needs to be approved by Health and Wellbeing Board.
32. There will be a National pay cap in the public sector at 1% for 2015/16. It should be noted however that Local Government pay is subject to separate negotiation.

## **Summary Position**

33. The funding cuts associated with the spending round and the associated consultation document will result in an additional reduction of Government funding of £13.6m in 2015/16. This is significantly higher (£8m) than was anticipated at the time of setting the budget.
34. The Council will be submitting a response to the consultation and contributing to the response from ANEC.
35. There are however still significant uncertainties around potential Health monies which could benefit the Council. Also, this financial year is the first year where the Council will retain an element of business rates growth. This is currently being monitored and will be reported as part of the budget setting process. The funding for 2016/17 and 2017/18 will be dependant upon a further spending review following national elections.

## **FINANCIAL IMPLICATIONS**

36. To update the MTFP.

## **LEGAL IMPLICATIONS**

37. None

## **RISK ASSESSMENT**

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

## **EQUALITIES IMPACT ASSESSMENT**

39. Not applicable

## **CORPORATE PARENTING**

40. Not applicable

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

41. Not applicable.



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## Appendix A

CAPITAL PROGRAMME 2012-2018	Current Approved Programme	Programme Revisions	Revised Programme	Expenditure April 2012 - June 2013
<b>SCHOOL CAPITAL</b>				
School Investment Programme	15,759,972	491,469	16,251,441	2,079,041
Academies	21,132,660	0	21,132,660	19,724,677
<b>SCHOOLS CAPITAL</b>	<b>36,892,632</b>	<b>491,469</b>	<b>37,384,101</b>	<b>21,803,718</b>
<b>HOUSING REGENERATION &amp; TOWN CENTRES SCHEMES</b>				
Housing Regeneration	12,866,411	0	12,866,411	5,120,246
Stockton Town Centre Schemes	32,959,885	54,730	33,014,615	10,253,838
Billingham Town Centre Schemes	5,328,816	0	5,328,816	1,299,518
<b>HOUSING REGENERATION &amp; TOWN CENTRES SCHEMES</b>	<b>51,155,112</b>	<b>54,730</b>	<b>51,209,842</b>	<b>16,673,602</b>
<b>TRANSPORTATION</b>				
Local Transport Plans	7,189,927	111,500	7,301,427	121,167
Other Transport Schemes	1,596,735	0	1,596,735	983,485
Developer Agreements	2,850,827	15,000	2,865,827	796,926
Tees Valley Bus Network Initiative	1,457,453	0	1,457,453	285,596
<b>TRANSPORTATION</b>	<b>13,094,942</b>	<b>126,500</b>	<b>13,221,442</b>	<b>2,187,173</b>
<b>OTHER SCHEMES</b>				
Private Sector Housing	2,970,110	0	2,970,110	354,226
Building Management & Asset Review	963,363	635,127	1,598,490	63,528
ICT & Infrastructure	736,369	(35,605)	700,764	303,770
Parks, Museums & Cemeteries	2,646,334	265,199	2,911,533	1,752,251
Energy Efficiency Schemes	889,480	0	889,480	528,607
Other CESC Schemes	695,617	2,876,546	3,572,163	86,433
Other Schemes	2,567,960	0	2,567,960	20,110
<b>OTHER SCHEMES</b>	<b>11,469,233</b>	<b>3,741,267</b>	<b>15,210,500</b>	<b>3,108,925</b>
<b>Total Approved Capital MTFP</b>	<b>112,611,919</b>	<b>4,413,966</b>	<b>117,025,885</b>	<b>43,773,418</b>