

## CABINET ITEM COVERING SHEET PROFORMA

**AGENDA ITEM**

**REPORT TO CABINET**

**4 SEPTEMBER 2014**

**REPORT OF  
CORPORATE  
MANAGEMENT TEAM**

### **CABINET DECISION**

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

#### **MEDIUM TERM FINANCIAL PLAN UPDATE – JUNE 2014**

1. Summary

This report is to update Members on the current financial position of the Council as at 30 June 2014.

2. Recommendations

1. That the updated Medium Term Financial Plan (MTFP), Capital Programme and current level of General Fund balances be noted.
2. That Cabinet note the Council's response to the LGA/CIPFA Call for Evidence on Local Government Finance and the draft responses from ANEC and SIGOMA. Also that copies of the final responses are issued to all Council Members and to local Members of Parliament.

3. Reason for the Recommendations/Decision

To 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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**DETAIL**

**FINANCIAL POSITION**

1. This report sets out the financial position for the Council as at 30<sup>th</sup> June 2014. It also provides an update on developments that may have an impact on the Medium Term Financial Plan.

**General Fund – Non Big Ticket**

2. The table below details the current MTFP position for each service.

<b>Service Reserves (MS)/MC</b>	<b>Previously reported position at 31/3/15 (MS) / MC's £'000's</b>	<b>Projected Outturn position at 31/3/15 (MS) / MC's £'000's</b>	<b>Projected Outturn position at 31/3/16 (MS) / MC's £'000's</b>	<b>Projected Outturn position at 31/3/17 (MS) / MC's £'000's</b>
CECSC	(885)	(1,211)	(562)	0
D & NS	0	0	0	0
RESOURCES	(440)	(841)	(616)	(595)
LAW & DEMOCRACY	(156)	(156)	(156)	(156)
<b>TOTAL</b>	<b>(1,481)</b>	<b>(2,208)</b>	<b>(1,334)</b>	<b>(751)</b>

### **Children, Education and Social Care – Non Big Ticket**

3. The projected position across Children, Education and Social Care has improved by £326,000. A number of minor budget variances have been identified at this early stage of the financial year, which cumulatively result in the projected underspend. The most significant being:
- Youth Services – A saving of £200,000 in advance of a review of the Service, largely due to staff vacancies.
  - Connexions – A saving of £140,000 mainly due to staff vacancies

It should also be noted that the Education Services Grant has reduced in value following the conversion of further schools to academies. This financial pressure has been absorbed in the current financial year, but there will be further reductions in grant in 2015/16 following a recent government consultation and the implications are currently being addressed as part of the service review process.

### **Development & Neighbourhood Services – Non Big Ticket**

4. There are no reported variations to the MTFP position, however there are a number of emerging pressures which are being closely monitored and which may require management action:
- The Care Call Service has challenging performance and financial targets following an earlier review of the service. Emerging evidence suggests that the expected levels of income may not be achieved and therefore the service is currently subject to close management scrutiny and review.
  - There are positive early indications for the levels of Planning Fee income. However, this income stream is volatile in nature and should be considered in the context of uncertainty regarding the potential costs of further planning enquiries.
  - Inflationary pressures on Concessionary Fares can be managed within the service in 2014/15, but will be considered as part of the MTFP process for future years.

Further updates on these areas will be provided throughout the year.

### **Resources/Law and Democracy**

5. The position for Resources is estimated to improve by approximately £400,000. There are a number of areas making savings through vacant posts, etc in advance of reviews and this is expected to realise £220,000. In addition, although it is still relatively early in the financial year, the indications are that the reimbursement of costs associated with referrals to court is higher than anticipated.
6. There are no significant variances projected in respect of Law and Democracy.

### **Public Health**

7. The budget for Public Health is ring-fenced to spend in this area and there are no expected variances at this time.

## **General Fund - Big Ticket**

### Big Ticket - Children

8. The 2014/15 budget established a level of growth to be offset by savings targets. The current projection is that these targets will be achieved with a small additional saving of £65,000. The position will be monitored closely throughout the financial year and the future year implications will be considered as part of the 2015/16 budget process.
9. Members will be aware that there are a number of projects progressing to deliver savings, the main one being the Spark of Genius Joint Venture. Members will also be aware that the report on 17 July 2014 identified savings rising to £600,000 from this arrangement which is a Limited Liability Partnership (LLP) established to deliver care and education to children with complex needs. Whilst this LLP will not trade commercially as mentioned in the previous Cabinet report dated 7 March 2013, it may offer spare places to other authorities in order to maximise utilisation of the facilities. The savings will be factored in to future MTFP reports, which will contribute to addressing growth in the area.
10. The costs of services for Looked After Children are projected to increase by £309,000, mainly due to increases in foster care placements and adoption allowances. The Outturn Report identified an underspend on external legal fees in 2013/14 and this trend has continued into the current year with a projected saving of £286,000. The take up of personal budgets is also £85,000 lower than anticipated.
11. The report to Cabinet in July alerted Members to ongoing challenges with regard to capacity in Childrens Services. A separate report is included on this agenda covering this.

### Big Ticket - Adults

12. The 2014/15 budget established funding for a a level of growth amounting to £800,000. Projections indicate that this growth provision will not be required to be utilised and that additional savings of £445,000 will be achieved. This represents an overall projected saving against the growth provision of £1.2m. The main reasons are the following:
13. Savings in care and support packages amounting to £455,000, partly achieved by increased use of personalised budgets costing £170,000. There are also reduced costs of extra care housing amounting to £65,000.
14. Care costs and care fees remain an area of volatility, particularly relating to the level of fees paid for residential and domiciliary care. This remains a risk in respect of a future budgetary pressure.

### Big Ticket – Energy and Waste

15. The budget includes a provision of £280,000 for inflationary growth in this area. Early indications are that there will be additional pressures estimated at £335,000 due to:
  - Waste tonnages being higher than anticipated costing £75,000.
  - A reduction in recycling income of £175,000 due to reduction in market prices.
  - Additional pressures surrounding utility costs

## Big Ticket - Summary

16. The projections show that overall the Big Ticket Reviews are delivering within the allocated growth provision in the MTFP. The MTFP (Big Ticket) will be reviewed and updated in the next report to Members which will review the position at the six month point of the financial year.

### **General Fund Balances**

17. The previous report to Members in July 2014 highlighted that General Fund Balances had improved at the end of the previous financial year by £220,000 and that the unused Big Ticket Growth Provision amounted to £190,000. This gave a total one-off resource of £410,000. It was agreed at Council on 23 July 2014 that £390,000 of this one-off provision would be utilised to contribute to the continuation of funding of the ECO Scheme, leaving a balance of £20,000.

18. Two sums have recently been returned to the Council from the DCLG. The first relates to the return of an element of Capitalisation Funding that had previously been top-sliced from Council Funding. This amounts to £275,000. A further amount of £118,000 was returned in respect of funding that had been top-sliced for the New Homes Bonus. In total these returned resources amount to £393,000 and use of this additional one-off resource will be considered as part of the 2015/16 MTFP process.

19. The position with regard to balances will continue to be monitored closely and considered as part of the 2015/16 budget process.

### **Savings Review Programme**

20. The Savings Review Programme, approved by Council in June 2013, set out target savings of £9.4m to be delivered over the period 2013/14 to 2016/17. Of this sum a total of £8.2m will be delivered by 2016/17. A small number of reviews, with associated savings amounting to c£1.2m, have been delayed because of capacity issues and these savings are now expected to be delivered from 2017/18. These reviews are:-

- Review of Transport Policies
- Review of the Children's Centre Service
- Review of activity levels and subsidy levels for Tees Active
- Review of Arts, Leisure, Culture and Sport
- Review of Youth Provision/Connexions

21. The projected impact on the Medium Term Financial Plan will be incorporated into the next update report.

## **CENTRAL GOVERNMENT CONSULTATIONS**

### **Technical Consultation – Summer 2014**

22. A Finance Technical Consultation was announced in July 2014, with a response date of 25 September. The documents are currently under review with regard to their potential impact on Stockton. One element of the proposal relates to the issue of the Carbon Reduction Commitment Scheme. Up until the end of 2013/14 the Council were required to participate due to the carbon emissions meeting the relevant threshold. This costs the Council approximately £100,000 (excluding schools). From 2014/15, Stockton would no longer meet the criteria and therefore dropped out of this Scheme and this should save the Council £100,000 per year. The proposal in the consultation however, is that those organisations who have dropped out of the Scheme will effectively have funding reduced to offset these savings, negating any benefit of being removed from the Scheme. This will be highlighted in the Council's response to the consultation.

## Other Announcements

23. The Department for Education have recently announced their response to their earlier consultation on the Education Services Grant. The Department will reduce the value of the grant by approximately 25% from 2015/16. This will compound the loss of grant caused by reductions due to academy transfers. A sum of £900,000 was previously identified in the MTFP to address the impact of academy conversions, but there will now be a further loss of grant from 2015/16. Services funded from the Education Services Grant are currently being reviewed in the context of the reduction in grant funding.
24. Recent announcements with regard to the Better Care Fund and Care Act may have a financial impact. We were initially informed that Stockton would receive funding of £1.0m in 2015/16 for implementation of the Care Act. The latest announcements now suggest that this figure may be reduced. We also still await notification of how the ongoing additional cost will be funded. These issues will be assessed in detail as more information becomes available.

## LGA/CIPFA INDEPENDENT COMMISSION ON LOCAL GOVERNMENT FINANCE

25. The LGA and CIPFA launched an Independent Commission on Local Government Finance in February 2014. The Council prepared a response to a call for evidence from the Commission and a copy is shown at **Appendix A**. The Council also supported ANEC in developing a response and the draft ANEC response is attached at **Appendix B**. SIGOMA have also drafted a response and this is attached for information at **Appendix C**.

## CAPITAL

26. The updated capital programme is summarised in the table below, with further detail available at **Appendix D** and **Appendix E**.

<b>CAPITAL PROGRAMME 2012-2018</b>	<b>Current Approved Programme £'000</b>	<b>Programme Revisions £'000</b>	<b>Revised Programme £'000</b>
Schools Capital	48,923	105	48,818
Housing Regeneration & Town Centres Schemes	56,914	1,407	58,321
Transportation	14,203	4,032	18,235
Other Schemes	33,899	345	34,243
<b>Total Approved Capital MTFP</b>	<b>153,939</b>	<b>5,679</b>	<b>159,617</b>

## FINANCIAL IMPLICATIONS

27. To update the MTFP and Capital Programme.

## LEGAL IMPLICATIONS

28. None

## RISK ASSESSMENT

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

## **EQUALITIES IMPACT ASSESSMENT**

30. Not applicable

## **CORPORATE PARENTING**

31. Not applicable

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

32. Not applicable.

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