

## CABINET ITEM COVERING SHEET PROFORMA

**AGENDA ITEM**

**REPORT TO CABINET**

**4 DECEMBER 2014**

**REPORT OF  
CORPORATE  
MANAGEMENT TEAM**

### **CABINET DECISION**

**Leader of the Council – Councillor Cook**

#### **MEDIUM TERM FINANCIAL PLAN / BIG TICKET UPDATE – SEPTEMBER 2014**

1. Summary

This is the first report to be presented to Members in respect of the 2015/16 Budget and Medium Term Financial Plan (MTFP). The final report will be presented to Cabinet and Council in February 2015. The report also provides an update on the 2014/15 financial position and outlines progress on the Big Ticket Reviews.

2. Recommendations

1. That the MTFP and the current level of general fund balances be noted.
2. That the updated financial position for 2015/16 to 2018/19 be noted.
3. That the level of reserves and balances and potential utilisation be supported and noted.
4. That the progress on the Big Ticket Reviews be noted.

3. Reason for the Recommendations/Decision

To update Members on the MTFP.

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).

## AGENDA ITEM

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## REPORT OF CORPORATE MANAGEMENT TEAM

# CABINET DECISION

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### SUMMARY

This is the first report to be presented to Members in respect of the 2015/16 Budget and Medium Term Financial Plan (MTFP). The final report will be presented to Cabinet and Council in February 2015. The report also provides an update on the 2014/15 financial position and outlines progress on the Big Ticket Reviews.

### RECOMMENDATIONS

1. That the MTFP and the current level of general fund balances be noted.
2. That the updated financial position for 2015/16 to 2018/19 be noted.
3. That the level of reserves and balances and potential utilisation be supported and noted.
4. That the progress on the Big Ticket Reviews be noted.

### DETAIL

#### Background and Context

1. The Medium Term Financial Plan (MTFP) report to Council on 26 February 2014 set a balanced budget for 2014/15 and can be summarised in the table below.

Agreed MTFP – February 2014	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Core Budget Gap	-7,491	-396	6,395	11,322
Big Ticket Pressure	6,620	8,065	8,760	10,285
<b>Total Pressure</b>	-871	7,669	15,155	21,607
MS etc - Big Ticket	-2,270	-945		
Big Ticket Savings Identified	-3,230	-3,760	-4,400	-4,790
<b>Overall Budget Gap</b>	<b>-6,371</b>	<b>2,964</b>	<b>10,755</b>	<b>16,817</b>

The current position incorporating Big Ticket savings targets would be as follows:

Target Savings	-1,120	-3,360	-4,360	-5,495
<b>Budget Gap</b>	<b>-7,491</b>	<b>-396</b>	<b>6,395</b>	<b>11,322</b>

2. The Council's approach over recent years has been two-fold:
  - a) A series of service reviews to address the Council's "core budget gap".
  - b) A focussed emphasis on the Big Ticket areas of expenditure of Adult Social Care, Children's Social Care and Energy and Waste to stem growth and deliver savings.

3. The current approved plan shows that there was a surplus available of £7.5m in 2014/15 with an estimated budget gap of £16.8m by 2017/18. Members will be aware that the Council have delivered significant savings since 2010/11 and we are currently in the process of delivering the £9.4m agreed by Council in June 2013 and these savings are already included in the plan.
4. The position includes an estimated pressure of £5.5m in the big ticket areas.
5. Members agreed that the 2014/15 budget surplus to be retained to assist in managing the future years budget gap and continue to allow a managed approach to delivery of savings, particularly given the level of uncertainty around government funding following 2015/16.
6. The Council were notified in 2013 of the provisional settlement for 2015/16 and there are no indications that this will change significantly. Based on this information, the Council will have seen a reduction in Government funding of £52m, the equivalent of 43% (approximately 56% in real terms) since 2010/11. Further announcements are expected in December to confirm the 2015/16 position.
7. There are currently no details on funding from 2016/17 and future years, and this is unlikely to be clarified until a further Spending Round in 2015 following the General Election. Indications are however, that further reductions are likely and we have again included an estimate in the MTFP.
8. The current MTFP is based on an assumed Council Tax increase of 1.9% per annum. Members will be aware that decisions were taken in the last 3 years to increase Council Tax as opposed to freezing tax levels and accepting a grant offer which was not guaranteed for the longer term. Had these decisions not been taken, the gap in 2016/17 would have been approximately £4.7m higher.

#### **Financial Position as at 30 September 2014**

9. Progress against the agreed financial position for the current year (2014/15) has been assessed after the first six months of the financial year and the results are detailed below.

#### General Fund – Non Big Ticket

10. The following table provides an update of the Medium Term Financial Plan position for each service area (Non Big Ticket).

<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>
CESC	(1,211)	(1,433)	(784)	(0)
D & NS	0	(406)	(54)	(54)
RESOURCES	(841)	(838)	(617)	(459)
LAW & DEMOCRACY	(156)	(176)	(176)	(176)
<b>TOTAL</b>	<b>(2,208)</b>	<b>(2,853)</b>	<b>(1,631)</b>	<b>(689)</b>

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

11. The projected position across Children, Education and Social Care has improved by £222,000. Members will be aware of the savings programme across all services and there are a number of reviews underway and planned across CESC. Staff savings in advance of these reviews will result in additional one-off savings of £100,000. Vacancies in Children's Social Care teams will result in a further saving of £108,000.

12. The CESC managed surplus has been earmarked for use in future years to support the staffing costs associated with pressures around Looked-After Children, as previously agreed by Cabinet.

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

13. The Report to Cabinet in September 2014 outlined a number of emerging financial issues in Development and Neighbourhood Services. Following a detailed review of the financial position, a managed surplus of £406,000 is projected for the Service. The main reasons for the variance are summarised below:
- The Planning Service is expected to generate a surplus of £194,000, largely due to greater than budgeted levels of planning fee income following a number of major planning applications. This is a particularly volatile budget and is difficult to predict, but this level of increase is not likely to be sustained in the medium term.
  - A positive variance of £287,000 is anticipated within Direct Services. Additional income of £100,000 is expected within Catering due to the number of meals being served and the SLA's in place with schools. Due to the increased value of work received by the Highways Trading Service targets will be exceeded resulting in additional income of £131,000. The balance is predominantly made up of salary savings from vacant posts across the service.
  - The Regeneration Service is projected to generate a surplus of £80,000 largely due to staff vacancies.
  - Housing and Community Protection is projected to overspend by £72,000, largely as a result of increased pressures within the Care Call Service. A plan is in place to manage these pressures in future years.

The above issues will be considered as part of the 2015/16 budget within the Service.

#### Resources

14. There are no significant changes to the overall position for the Resources Service from that reported at the first quarter of the financial year.

#### Law and Democracy

15. There are no significant changes to the overall position for the Law and Democracy Service from that reported at the first quarter of the financial year.

#### **BIG TICKET**

16. Progress in 2014/15 against the agreed Budget/MTFP for Big Ticket service areas is summarised in the paragraphs below.

#### Childrens Social Care

17. Members will be aware from the regular Cabinet updates of increasing numbers of Looked After Children and the financial pressures this creates. The two key areas being External Residential Placements and Independent Foster Care provision.
18. Pressures continue to be experienced in volume and cost within the Big Ticket area totalling £605,000 mainly in respect of fostering placements and in the costs of Through Care Services. These cost increases will be partly offset by some savings, most notably a reduction in the

requirement to fund external legal fees (£412,000) as highlighted in previous reports to Cabinet. A net variance of £193,000 is projected for 2014/15.

19. The table below demonstrates the projected position for 2014/15 compared to the budget:

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Base Budget Pressure	2,520	2,520	0
Savings Delivered	(170)	(170)	0
Pressure	2,350	2,350	0
Estimated Growth	1,120	605	(515)
Savings Target	(1,120)	(412)	708
Funding Allocated	2,350	2,543	193

This demonstrates that there has been growth which has not been fully offset by savings and this will result in a call of £193,000 against the growth provision.

20. The position for future years has been reviewed. The baseline for future years reflects the current Looked After Children and the full year impact of the 2014/15 financial performance.

21. The estimates of growth and savings have also been reviewed and re-assessment projections for foster care and residential placements have been made on trends of growth in previous years, including age profiles.

22. Members will be aware from previous reports that the Spark of Genius Joint Venture is now expected to generate savings of £600,000 per annum from 2016/17 and this is reflected in the position.

23. The updated projections are shown in the table below:

<b>Children's Social Care</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>
Updated Budget Pressure	1,939	211	(875)	(1,774)
Savings	(824)	(1,186)	(1,200)	(1,200)
<b>Updated Budget Pressure</b>	<b>1,115</b>	<b>(975)</b>	<b>(2,075)</b>	<b>(2,974)</b>
Estimated Growth	2,008	3,518	5,041	6,578
<b>Target Saving</b>	<b>3,123</b>	<b>2,543</b>	<b>2,966</b>	<b>3,604</b>

This demonstrates that the target saving is £3m in 2015/16 and rises to £3.6m in 2018/19. This is a similar position to that reported in 2014/15. The strategy remains for reviews to identify mechanisms to remove these pressures through a combination of savings and avoiding growth. There have however been delays in implementing solutions to achieve this objective. Although the Council appointed an interim manager to explore options, unfortunately he has now taken up a permanent post in Doncaster so there have been delays, in particular to assessing opportunities around foster care. We have however, increased marketing activity and will be looking for further appointments to start addressing this issue. Members will be aware of a recent report to Cabinet outlining proposals to review the senior management within Childrens Services. This will include the need to identify focussed resources to support this area.

It is unrealistic that all of the £3m will be delivered in 2015/16 and therefore funding will again be required to manage the transition. This is covered further in paragraph 35.

#### Adult Social Care

24. Work is progressing well on delivering the Adult Social Care Big Ticket reviews. All of the projects associated with the original EIT reviews are now complete. A couple of new projects

have emerged and these are now underway. A significant number of savings are already being delivered. The overall variance in this area is estimated to be an in-year underspend of £493,000, an increase of £48,000 from that reported previously. The estimated growth requirement was £800,000 and this has not been required to be utilised as pressures have been managed within this area.

25. The focus of the Adult Social Care Big Ticket has moved to the implementation of the Care Act 2014 and the Better Care Fund. The Care Act will be implemented in two stages:

- Social Care Reform – by April 2015
- Funding Reform – by April 2016

Both of these programmes of change will be focussed on the reduction of growth, with a focus on Intervention and Prevention strategies and closer working between Health and Social Care.

26. The position for Adult Social Care has been assessed and is shown below. This demonstrates that the current base budget pressure can be met by the savings currently planned.

<b>Adult Social Care</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>
Updated Budget Pressure	3,985	3,985	4,767	4,767
Savings	(3,985)	(3,985)	(4,767)	(4,767)
<b>Updated Budget Pressure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Estimated Growth	800	1,600	2,400	3,200
<b>Target Saving</b>	<b>800</b>	<b>1,600</b>	<b>2,400</b>	<b>3,200</b>

27. Despite no growth being experienced in 2014/15, there are a number of changes pending which make projecting future years budget pressures/growth extremely difficult, not least the financial implications of the Care Act. The Care Act introduces new burdens for local authorities. Some of these new burdens will be funded through additional grant, but it is unlikely that the grant will meet all the cost. It is impossible to estimate the full impact because guidance is still being produced for the Social Care Reforms and the guidance for the Funding Reform is yet to be published. The full year effect of increases in the level of fees paid in respect of domiciliary and residential care will require to be incorporated from 2015/16 onwards. Work is ongoing to refine the projections, and although growth was managed in 2014/15, it is considered prudent to include an estimate of growth.

28. A report to Cabinet in October 2014 highlighted changes with regard to the Deprivation of Liberty Legislation. The financial impact will be addressed in the current year by using managed surplus within the CESC Service. However, consideration will need to be given to how future financial pressures are addressed.

29. Work is ongoing around the Better Care Fund (BCF) with Health colleagues. The aim of the Better Care Fund is to improve services but also making efficiency savings and reduce the demand on services for both Health and Social Care. This will be incorporated into the above plan in future and the growth and savings estimates will be further refined as the schemes are developed and implemented.

#### Energy and Waste

30. There are no significant changes in the position since the previous report in September. This area continues to experience pressures over those reflected in the MTFP. The MTFP provided for a Growth Pressure of £280,000. The latest projections suggest that this will be exceeded by £295,000. The additional pressures largely relate to inflation and increased tonnages on the waste disposal contract and an under-recovery of income from re-cycling of waste (reduced prices and tonnages).

31. The position for 2015/16 onwards has been reviewed and this can be demonstrated below:

<b>Energy and Waste</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>
Updated Budget Pressure	634	893	1,039	1,207
Savings	(498)	(941)	(1,327)	(1,373)
<b>Updated Budget Pressure</b>	<b>136</b>	<b>(48)</b>	<b>(288)</b>	<b>(167)</b>
Estimated Growth	0	0	0	0
<b>Target Saving</b>	<b>136</b>	<b>(48)</b>	<b>(288)</b>	<b>(167)</b>

The positive impact of the street lighting invest to save developments can be seen in the increasing levels of savings achieved in this service area.

#### Big Ticket Summary

32. The overall position for the Big Ticket areas for 2014/15, based on the position at the end of September, can be summarised as below:

	<b>Budget £'000</b>	<b>Actual £'000</b>
<b>Children</b>		
Estimated Growth	1,120	605
Target Saving	(1,120)	(412)
Growth Provision	0	193
<b>Adults</b>		
Estimated Growth	800	0
Target Saving	0	(493)
Growth Provision	800	(493)
<b>Energy &amp; Waste</b>		
Estimated Growth	280	575
Target Saving	0	0
Growth Provision	280	575
<b>Overall</b>		
Estimated Growth	2,200	1,180
Target Saving	(1,120)	(905)
Growth Provision	1,080	275

33. It was expected that a sum of £1.080m would be required to fund additional growth in 2014/15. At this stage it is projected that only £275,000 will be required, meaning that a sum of £805,000 is expected to be carried forward as available for use in 2015/16 and subsequent years.

34. The overall updated position for future years can be summarised below and this is broadly in line with that set out in the current agreed MTFP.

<b>Overall Big Ticket</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>
Updated Budget Pressure	6,558	5,089	4,931	4,200
Estimated Growth	2,808	5,118	7,441	9,778
Total Pressures/Growth	9,366	10,207	12,372	13,978
Planned Savings	(5,307)	(6,112)	(7,294)	(7,340)
<b>Budget Gap</b>	<b>4,059</b>	<b>4,095</b>	<b>5,078</b>	<b>6,638</b>



35. The 2014/15 Budget recognised that there would be timing issues with achieving the target reductions, particularly for Children's Services and funding was allocated to assist the transition in 2014/15. However, delays are still being experienced and there is therefore a need to recognise that further transition funding will be required. A sum of £945,000 was previously agreed for inclusion in the 2015/16 Budget in this respect and this can now be supplemented by the balance of the growth provision of £805,000 mentioned above. Together these give £1.750m as available in 2015/16. The position will be reviewed again in December, however current indications are that an additional sum of £1m will realistically require to be funded from the MTFP to support the transition, leaving £1.3m savings to be targeted.

### **General Fund Balances**

36. The level of general balances required by the Council is 3% of Net Revenue Expenditure and as this reduces so does the balances requirement. For 2014/15 the level required is £7.9m.

37. The previous MTFP report to Cabinet in September 2014 identified balances of £8.9m although there has been a minor reduction to £8.8m due to slippage in EIT reviews.

38. Members will however be aware of the issues surrounding the problems associated with Newport Bridge and the additional work required. In order to progress the work and allow the opening of the bridge an Urgent Council Decision was taken to allocate £2.5m from balances. In order to maintain balances at £7.9m, £1.6m will need to be allocated to balances as part of the 2015/16 budget setting process.

### **UPDATE OF THE MEDIUM TERM FINANCIAL PLAN 2015/16 TO 2018/19**

39. In advance of the Autumn Statement an Local Government Finance Settlement, the MTFP has been reviewed and there are a number of changes that it is proposed are incorporated into the revised position. These are detailed below.

#### Core Government Funding

40. The current approved MTFP includes an additional estimated funding reduction (RSG) in 2016/17 and 2017/18 of £18m. In line with our prudent approach we have rolled forward the MTFP for another year and have reflected the latest external advice and indications coming from Government. This means that the 2016/17 and 2017/18 reduction is lower than we had anticipated but there is a further reduction to incorporate into 2018/19. If these projections are correct, then this will take the funding reductions to an estimated £67m, 56% in cash terms, and 77% in real terms (adjusted for CPI) since 2010. At this stage these are still projections and the actual position will not be known until further detail is available, anticipated to be after the General Election in 2015.

41. Technical Consultation documents issued by DCLG in July 2014 detailed only one issue of significant note. This being a top-slice of £100,000 in respect of the Carbon Commitment. The ending of the Carbon Reduction Scheme should have resulted in a saving against the MTFP of £150,000 per annum from 2015/16. However, this will now be largely offset by the top-slice in government funding.

#### Education Services Grant

42. As reported to Cabinet in September 2014, the DfE will reduce the value of the Education Services grant by approximately 25% in 2015/16. This will compound the loss of grant already experienced due to academy conversions. Services funded from the ESG are currently being reviewed in the context of the reduction in grant funding.

## Savings Programme

43. 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. These savings were incorporated into the MTFP. Of this sum a total of approximately £8.2m will be delivered by 2016/17. As reported to Cabinet in September 2014 a small number of reviews, with associated savings targets of £1.2m have been delayed because of capacity issues. These savings are now expected to be delivered in 2017/18. The projected impact for 2015/16 and 2016/17 will now be incorporated into the updated MTFP.

## Impact of National Changes

44. Inflationary pressures on Concessionary Fares are projected to increase the sums required to support the scheme by £150,000 per annum. The pressures in 2014/15 have been addressed by utilising managed surplus within the DANS Service, but the pressure required to be funded in the revised MTFP will amount to £300,000 in 2015/16, increasing to £750,000 in 2018/19.

45. The transfer of responsibility for Local Land Charges to the Land Registry will result in a pressure on the MTFP of £58,000 in 2015/16, rising to £116,000 thereafter. This is a new burden for the Council and the issue has been raised through LGA.

46. Members will recall that specific funding for the Social Fund ceases from April 2015 and the impact of this is already incorporated into the MTFP. Following a judicial review, the Government recently issued a consultation document and the Council have submitted a response. However at this stage no changes impacting on the MTFP are anticipated.

47. The provisional Local Government Pay Award for NJC Staff will have an impact on the MTFP. Additional costs amounting to an estimated £64,000 in 2015/16 and rising to £208,000 in 2018/19 will now be incorporated into the updated MTFP. Additional funding to support the implementation of the Living Wage was incorporated into the MTFP for 2104/15 and onwards.

48. The impact of a recent ruling on entitlement to holiday pay in respect of overtime is currently being reviewed, although no significant impact is expected.

## Other Updates to the MTFP

49. Savings on Street Lighting Maintenance have been delivered earlier than originally projected. These savings had originally been incorporated into the MTFP from 2017/18. They can now be incorporated into the MTFP from 2015/16 at £400,000 per annum.

50. The projected levels of interest paid on borrowing and received on balances invested have been re-assessed. The impact will have a positive effect on the MTFP in the short to medium term. However, latest indications on the future level of interest rates are that rates will increase at a slower rate than that anticipated in the current MTFP. This means that an additional funding pressure is now anticipated in later years (2017/18 and 2018/19).

51. The updated position for the Big Ticket areas is set out in paragraphs 16 to 31 above, and summarised in the table at paragraph 24. Savings of £4m are projected to be required to achieve a balanced position in 2015/16. Funding of £945,000 is already incorporated into the MTFP for that year and this could be supplemented by unused growth provision from 2014/15 of £0.805m, giving a total of £1.750m. It is provisionally projected that a further sum of £1m will be allocated from the MTFP to support the transition, leaving a balance of £1.309m to be addressed via Big Ticket savings targets.

52. The revised projected MTFP position based on the assumptions above is set out below:

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Approved Core MTFP Position at February 2014	-396	6,395	11,322	N/A
Core Budget Gap estimated for 2018/19				11,585
<b>National Changes</b>				
Re-assessment of SUFA		-2,652	-4,147	-
Carbon Reduction/RSG Top-Slice	-50	-50	-50	-50
Land Charge Functions Transferred in 2015/16	58	116	116	116
Concessionary Fares – Inflation	300	450	600	750
<b>Local Changes</b>				
Council Tax – Revisions to Base and take up of LCTSS	-521	-1,099	-1,698	-2,320
NNDR	209	41	31	74
Pay Award	64	104	156	208
Slippage on Savings Programme	1,419	1,169		
Street Lighting Savings	-400	-400		
Interest on Balances	-361	-379	571	182
Other Adjustments	316	189	197	204
Big Ticket Transition	1,000			
<b>Revised Core Budget Gap</b>	<b>1,638</b>	<b>3,884</b>	<b>7,098</b>	<b>10,749</b>

53. The position incorporating the Big Ticket areas can be shown below:

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Budget Gap	1,638	3,884	7,098	10,749
Use of One-Off Funding	(1,638)			
	0	3,884	7,098	10,749
Big Ticket Pressure	1,309	4,095	5,078	6,638
Overall Budget Gap	1,309	7,979	12,176	17,387
Target Big Ticket Savings	(1,309)	(4,095)	(5,078)	(6,638)
Core Gap	0	3,884	7,098	10,749

54. In line with the agreed approach to the MTFP, it will be proposed that the 2015/16 budget gap is funded from the £7.5m from 2014/15 to ensure a balanced position, with the remainder retained to manage the transition in delivering further savings. Given that the level of savings will be influenced by further funding announcements, the approach will be considered as part of the budget report.

### Capital & One-off Resources

55. As part of the budget process members will be asked to consider how one off resources will be allocated. In preparation for the budget report, the position around reserves and balances is being reviewed and the current position is outlined below.

56. The Council has generated £500,000 from Asset Disposals. Following agreement at Cabinet, a number of other disposals are planned in the next few years, such as the Education Centre site and a prudent estimate of such receipts of £1.5m could therefore be included in the Councils one off resources for consideration.

57. Members will be aware that as part of the 2014/15 budget report, investment of £14m in Street Lighting across the Borough was approved and this would result in annual revenue savings of £1.7m. The scheme is progressing and following initial procurement activity, the costs have

been reviewed and it is now expected that the requirement will be £12.3m, releasing one-off resources of £1.7m.

58. As part of the transfer of the Housing Stock to Tristar (now Thirteen Group), the Council entered into a VAT share agreement, which means that as the investment in stock progresses, the Council benefits from a saving in VAT. The budget report in 2012/13 approved the use of £10.3m of one off resources to support cash flow issues to enable Town Centre and Housing Regeneration schemes to progress in advance of receiving the VAT shelter income. The investment programme is progressing well and the Council are now starting to receive payments which can replenish the one off resources. £800,000 has been received to date this year with a further £2m is expected before the end of the 2015/16 financial year. Further resources are expected in subsequent years, estimated at £1.2m by 2018/19 and this means that £4m can therefore now be considered as one off resources to be allocated.
59. The final position on the collection funds for Council Tax and National Non Domestic Rates (NNDR) as at 31 March 2014 is now known. An additional surplus of £500,000 (Stockton Share) was generated with respect to Council Tax. However, this was partly offset by a deficit on the NNDR Collection Fund of £335,000 (Stockton share), as growth had been offset by the impact of appeals and updates to the Rating List. In total, this means that additional one-off resources of £165,000 will be available in 2015/16.
60. Members will be aware of the recent changes to Council Tax through the introduction of the Local Council Tax Benefit Scheme and also changes to discounts and allowances. Following the changes we have based our income on collection levels of 97%, and we also hold a provision for non-payment. It is now timely to review this provision, particularly given that the indications are that the actual collection will be in line with the target. The provision is based on the level of debt at the year end and levels of provision vary widely between authorities, ranging anywhere between 20% and 80% of monies outstanding, with ours at the higher end. Given the collection levels, the level of provision should be reduced and it is proposed that this change to 50% of outstanding debt. This would support the auditors' recent judgement which indicated their view that there was scope for reducing the overall level of the provision. When combined with positive projections on the level of Council Tax collection in 2014/15 it is anticipated that a sum of £3.2m in one off resources will be available.
61. The overall position on available capital and one-off resources can be summarised as follows:

	<b>£'000</b>
Capital Receipts	500
Planned Capital Receipts	1,500
Street Lighting Programme Saving	1,700
VAT Shelter - Repay corporate resources	4,000
2013/14 Collection Fund Surplus (Net)	165
CTax Collection Fund inc Bad Debt Provision	3,200
<b>TOTAL</b>	<b>11,065</b>
Replenish Corporate Balances	<b>1,673</b>
<b>Resources Available</b>	<b>9,392</b>

The above table demonstrates that after replenishing working balances, there will be £9.4m in one off resources to be considered as part of the 2015/16 budget.

#### Potential Calls on One-Off Resources

62. There are a number of emerging calls on one-off resources and these will be considered further as part of the budget report.

## Leisure Facility Ingleby Barwick

63. Members will be aware of the feasibility work approved to consider a leisure facility in Ingleby Barwick. Cabinet have committed in principle to £3m of the infrastructure reserve with the overall costs and resource requirements considered as part of the budget report. The feasibility work is progressing and the Council will explore external funding opportunities to enhance the resources available. It is likely however, there will be a requirement for additional one-off resources.

## Town Centres

64. Members will recall that the report to Council in October 2014 approved additional investment of £150,000 into Yarm to redevelop the library to supplement the £1.2m invested in public realm works, which has included car parking and street lighting.

A reduction in business rates had been identified as one of the main factors that could encourage new business investment in Stockton town centre. To this end, a Business Rate Discount Scheme (BRDS), which offers a discount of 50% of net annual rates payable, was introduced in April 2013 with the aim of incentivising occupation of vacant units within the primary and secondary retail frontages within Stockton town centre.

The BRDS is primarily aimed at retail and associated town centre business uses and within the first 18 months of operation, 18 new or existing businesses expanding into vacant premises have received a 50% discount on business rates for a period of two years. The BRDS has proved successful in incentivising take up of vacant units and it is proposed that the initiative is extended for a further two years from April 2015 to enable continued support for new and expanding business in Stockton town centre.

Marketing and communication of new developments, events and ongoing activity in Stockton town centre has been vital throughout the period of disruption as infrastructure and paving works have been carried out on the High Street. Marketing, through the Rediscover brand and the town centre shop, has helped manage expectations of visitors and business in the town centre, enabled key messages to be communicated, supported businesses through difficult trading conditions and continued to encourage visitors to the town centre and events.

As the physical works on the High Street draw to a close, the full range of activity and events on the High Street can begin to be implemented. In order to maximise the impact and benefits of the high quality environment, growing range of specialist markets and events along with new and existing businesses and investment opportunities it is recommended that the successful approach to marketing is continued for a further two years. This will allow for a refocus of activity onto a positive approach to bringing new and returning people back into using the High Street, the attraction of new businesses to fill empty premises and promote the benefits of trading in and around the newly completed High Street.

To further support the regeneration of the town centre and to improve community reassurance alongside engagement with local businesses additional community safety measures are required. A pilot project has been running with additional anti-social behaviour staff dedicated to the town centre, to prevent resources being directed away from other areas in the borough. This has proved effective with incidents of criminal activity and ASB reducing significantly. Additional funding for a two years period is proposed, commencing April 2015 to employ two dedicated ASB officers for the town centre. These officers will carry out dedicated patrols and work with police and local businesses to help and support visitors and to improve community safety and perception of the town centre. Quarterly reports will be provided to monitor performance and identify hotspot areas and emerging issues.

It is estimated that the above will cost approximately £495,000 and if Cabinet agree to these matters in principle they will be considered further as part of the budget report.

There has been significant investment in and around Billingham Town Centre in recent years. There is however, an outstanding issue surrounding the future of the former Billingham District Heating System building. It is suggested that Cabinet agree in principle to allocate £20,000 to explore options for this building.

### SIRF / Arts Council

65. For many years the real costs of presenting street arts have grown above inflation. International transport costs, insurance, police and stewarding, plant hire, and traffic management costs have increased disproportionately. Throughout the late 1990's and early 2000's SIRF was the biggest street arts festival outside London. Now its budget and its grant from Arts Council England (ACE) are smaller than those of festivals in Brighton, Norwich, Salisbury, and even Great Yarmouth.

The impact of this reduction in buying power has been masked by the skill of our staff and the reputation of the festival. Many large shows have been presented at SIRF for a much lower fee than would have been charged elsewhere because producers/companies want their show to be seen at SIRF and because our reputation for hosting and technical support is excellent. The duration of the event has also been reduced. In 2004 the programme started at 12 noon on the Wednesday, running right through to the Sunday finale. In 2014, with the exception of the stand-alone Launch night show, the programme started on the Friday afternoon.

Despite this reduction the economic benefit is measurable and significant. In a 2010 business survey a quarter of surveyed businesses reported a 50% or greater increase in turnover during the event. The economic downturn reduced the calculated economic impact from £1.9m in 2010 to £1.3m in 2013. However, the spend per head of SIRF visitors in 2014 was £6.07 compared to £4.71 in 2013 suggesting a recovery in SIRFs impact.

SIRF 2015 will be the first to utilise the refurbished High Street and it is proposed that a unique street theatre, circus and dance piece be produced, taking the invention of the friction match and the Sara Maitland 'Instant Light' text as its theme. The main Friday and Saturday show will tell the Walker and Vesta story in the new central garden area, illustrating how our urban design has been shaped to facilitate our signature event. This show will be carefully packaged and branded to ensure that as it tours across the UK and into Europe it raises awareness of Stockton and its heritage. Instant Light will also involve local performers and the north east '5 Ring' youth circus, giving an estimated 100 performers the chance to gain experience in a professional company performing to a large audience. Some of these local people may become part of the touring show. The fictional circus company, with all its local performers, plus those actors and artists from the other shows that are part of Instant Light, will all join the Community Carnival. This boost to the scale and spectacle of the Carnival will be symbolic of the Town's renewed sense of identity and optimism.

In November 2014, the House of Commons DCMS Select Committee published a report into the work of ACE. Acknowledging the inequity of funding between London and the regions it calls for '*A redistribution of funds along the lines suggested by the authors of Rebalancing our Cultural Capital*' (ROCC). Stockton Council Officers contributed to the ROCC report and the North East Culture Partnership gave evidence to the Select Committee. It is reasonable to assume that ACE will develop policies and tools to invest more outside London in future and Stockton Borough Council should seek to secure significant additional investment from ACE in SIRF over the coming 3-5 years.

Future ACE grant increases are likely to be based on SIRF contributing to ACE priorities for touring, talent development and regional capacity building. Instant Light will illustrate our ability to create new work to tour, supporting the development of the regional company Ballet Lorent

and providing training and experience for young talented circus performers. It would also provide an opportunity to challenge ACE to match the ambition and vision of Stockton Council. The ACE Chair Sir Peter Bazelgette has agreed to attend the opening night of SIRF15.

The 'Instant Light' piece will require an additional investment of £200,000 for the four major, sequential shows. A funding package over the subsequent 3 years could lever a further £500,000, re-establishing SIRF's scale and reputation, contributing to efforts to attract visitors, shoppers and investors, and bringing our communities together as only SIRF can.

## Council Tax and NNDR

66. The current Medium Term Financial Plan is based on an assumed Council Tax increase of 1.9% per annum. The budget report in 2014/15 outlined that Government had indicated that a grant would be available for both 2014/15 and 2015/16 equivalent of 1% to those authorities who froze Council Tax levels, and that this was included in base funding. It was outlined to Members at the time that there was no certainty around any Government funding from 2016/17 onwards.

In line with the decision taken in 2012 and 2013 Members chose to increase Council Tax to ensure certainty of funding and mitigate any financial impact of taking the freeze grant.

67. There are no indications of any change in Government Policy and it is therefore anticipated that a grant will be available in 2015/16 for those authorities choosing to freeze levels of Council Tax. The table below outlines that the financial impact is approximately £500,000 per year. This would increase to £1.3m in 2016/17 if Government funding reduced to reflect the freeze grants.

	2015/16 £'000	2016/17 £'000	2017/18 £'000
<b>Current Estimated Position (1.9%) (Based on 1.9% increase per year)</b>	69,726	71,949	74,231
<b>Impact of Freeze Funding</b>			
Opening Council Tax Income	68,426	69,291	71,489
Increase at 1.9% per year from 16/17		1,316	1,358
Freeze Grant	794		
<b>Funding for the Year</b>	<b>69,220</b>	<b>70,607</b>	<b>72,847</b>
<b>Pressure on MTFP</b>	<b>506</b>	<b>1,342</b>	<b>1,384</b>

For planning purposes, this report assumes that Council Tax is increased by 1.9% and this will be considered as part of the final budget report.

68. The level of the Council Tax base and the impact of the Local Council Tax Support Scheme have been reviewed and it is projected that there will be a positive impact on Council Tax income and New Homes Bonus. This is reflected in the revised MTFP.
69. Members will recall that 2013/14 was the first year of the new scheme which introduced the retention by Local Authorities of an element of business rates. Members will also be aware that the Council will benefit by retaining 50% of any growth (excluding inflationary increase), but would also bear the risk of any reductions. Current indications are that there is little overall net growth except in those areas covered by the Enterprise Zone where the Council does not benefit directly from that growth in business rates. The impact of appeals continues to be an area of significant financial uncertainty and risk. For these reasons no additional income has been incorporated into the updated MTFP above.

## CAPITAL

70. The Capital Programme 2012-2018 has been updated to reflect the position at the end of September 2014. The position is summarised in the Table below, with further detail in **Appendix A**.

<b>CAPITAL PROGRAMME 2012-2018</b>	<b>Current Approved Programme £'000</b>	<b>Programme Revisions £'000</b>	<b>Revised Programme £'000</b>
Schools Capital	48,818	110	48,928
Housing Regeneration & Town Centres Schemes	58,321	68	58,389
Transportation	18,235	4,525	22,760
Other Schemes	34,243	190	34,433
<b>Total Approved Capital MTFP</b>	<b>159,617</b>	<b>4,893</b>	<b>164,510</b>

### Reasons for Movements over £100,000

#### New Schemes

- The School Kitchen Improvements scheme has been extended to include the Voluntary Aided Schools and this is funded by the grant for these schools (£90,000).
- £150,000 has been allocated from the resources approved for the South of the Borough in the MTFP report in February to develop the library facilities in Yarm.
- A new scheme to create additional car parking provision at Preston Park has been added to the capital programme (£800,000), funded by the South of the Borough investment fund.
- Works to improve public areas in Teasdale including the footpaths and street lighting are added to the capital programme. The cost is £187,000 funded by Homes and Communities Agency and revenue reserves.

#### Additional Funding

- Network Rail has transferred the ownership of Thornaby Railway Station Footbridge to the Council, and a scheme to replace the previous bridge is added to the programme. The works cost £1,000,000 and are funded by grant from Network Rail and the Department for Transport.
- The Programme has been updated to reflect the costs of Newport Bridge repairs of £2.5m, funded from balances.

#### Cost Variances

- The extension and remodelling to St Francis of Assisi Primary School to provide for increased pupil places received a favourable tender and made savings during the contract period resulting in an overall saving of £440,000. This saving can be added back into the unallocated basic needs provision which now takes this total to £10.46m.



## DEVELOPMENTS IN LOCAL GOVERNMENT FINANCE

71. The National Audit Office (NAO) have recently issued a report "The impact of funding reductions on local authorities". A copy of the report can be accessed at:

<http://www.nao.org.uk/report/the-impact-funding-reductions-local-authorities/>

- There are significant differences in the scale of funding reductions faced by different authorities. The report outlines that Authorities that depend most on Government grant being most affected by funding reductions and reforms. This was an outcome of policy decisions to tackle the fiscal deficit by reducing public spending, and for local authority funding to offer incentives for growth.
- According to the NAO the Department does not monitor in a co-ordinated way the impact of funding reductions on services and relies on other departments and inspectorates to alert it to individual service failures. In consequence the Department risks becoming aware of serious problems with the financial sustainability of local authorities only after they have occurred. The Department's processes for assessing the capacity of authorities to absorb further funding reductions are also not sufficiently robust.
- The report also highlights that the DCLG had only a "limited" understanding of authorities financial sustainability and must improve efforts to monitor the effects of Councils funding costs on the ground.
- Overall, the report finds that local authorities have managed their finances successfully through a prolonged period of funding reductions. There is also recognition of the efforts made by local authorities to protect spending on statutory services. However, looking to the future, the report reflects increased uncertainty about how local authorities can manage further possible falls in income.

72. In June 2014 the LGA and Cipfa launched a Commission on the future of Local Government Finance. Organisations were invited to send submissions to inform the Commission, and Stockton along with ANEC provided responses. The Commission have recently issued an interim report "Public Money, Local Choice" and a copy has been circulated to the Council. The Commission are seeking further views to shape the recommendations in the final report which is expected in early 2015. A summary of the information published to date is shown at **Appendix B**.

## TIMELINE

73. The Chancellors Autumn Statement is planned for 3rd December with the Provisional Local Government Finance Settlement anticipated to be known by Mid December. On receipt of this information the assumptions in the current MTFP will be updated accordingly.

74. The final budget report will be reported to Cabinet on 19th February 2015 and presented to Council on 25th February 2015. Member briefing sessions will be arranged in advance of the presentation of the report.

## FINANCIAL IMPLICATIONS

75. To update the MTFP.

## LEGAL IMPLICATIONS

76. None

## **RISK ASSESSMENT**

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

## **EQUALITIES IMPACT ASSESSMENT**

78. Not applicable

## **CORPORATE PARENTING**

79. Not applicable

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

80. Not applicable.

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