

## CABINET ITEM COVERING SHEET PROFORMA

**AGENDA ITEM**

**REPORT TO CABINET**

**14 SEPTEMBER 2017**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

### **CABINET DECISION**

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

**FINANCIAL UPDATE & MEDIUM TERM FINANCIAL PLAN – JUNE 2017**

#### Summary

This report focuses on the financial performance and position at the end of the first quarter of the 2017/18 financial year and updates the Medium Term Financial Plan accordingly.

#### Recommendations

1. That the Medium Term Financial Plan (MTFP) and the current level of General Fund balances be noted.
2. That the revised Capital Programme attached at **Appendix A** be noted.

#### Reason for the Recommendation/Decision

1. To update Members on the Medium Term Financial Plan.

#### Members' Interests

2. 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 AS AT 30 JUNE 2017**

**GENERAL FUND**

1. The following table details the projected budget outturn position for each directorate in 2017/18, based on information to 30<sup>th</sup> June 2017.

<b>Directorate</b>	<b>Annual Budget £'000</b>	<b>Projected Outturn £'000</b>	<b>Projected Variance Over/(Under) £'000</b>
<b>Children's Services</b>	35,378	36,015	637
<b>Adults and Health</b>	71,613	72,317	704
<b>Community Services</b>	22,062	21,776	(286)
<b>Economic Growth &amp; Development</b>	9,698	9,994	296
<b>Culture, Leisure and Events</b>	7,841	7,930	89
<b>Finance &amp; Business Services</b>	7,552	7,184	(368)
<b>HR, Legal and Communications</b>	3,858	3,983	125
<b>Corporate Areas</b>	2,596	2,314	(282)
<b>Admin/Democratic Services &amp; Xentrall</b>	6,192	6,220	28
<b>Total</b>	<b>166,790</b>	<b>167,733</b>	<b>943</b>

The reasons for any significant variances (In excess of £100,000) are set out for each directorate below.

Officers will continue to manage budgets carefully and explore opportunities to reduce the projected pressure.

### **Children's Services**

2. In setting the budget for 2017/18, a sum of £2,200,000 was allocated to fund growth in the costs of Looked After Children (LAC). Evidence from the first quarter of the financial year suggests that pressures continue to be experienced, particularly relating to the rising number and complexity of external residential placements. Based on current projections, expenditure at year end is expected to exceed overall budget and growth allocation by £1,073,000.
3. The need to employ agency staff to cover social worker vacancies, together with increased pressures on Section 17 budgets, is projected to result in an overspend of £350,000. This will be offset by savings resulting from vacancies in schools support (£132,000) and Youth Services (£205,000). In addition the directorate has delivered savings on the Youth Review ahead of the target date in the MTFP, resulting in a one-off saving of £425,000.
4. Through the previous review of Children's Service, some commissioned children's services, together with their budgets, moved to the Public Health service (Adults and Health). Following a recent review of Commissioning and Procurement, these services and their budgets have now been transferred back to the Children's Services Directorate. Currently an underspend of £185,000 is projected.

### **Adults and Health**

5. The budget for the Directorate was set on the basis that the financial impact of projected growth (£1,628,000) would be offset by an equal level of savings. A number of areas of savings have already been identified to offset this growth and these are outlined below
6. New contracts are in place for the care costs associated with housing related support schemes and these will deliver additional savings amounting to £217,000.
7. The impact of vacancies and staff turnover is expected to result in an underspending of £263,000 by the end of the financial year.
8. Savings on budgets for residential and nursing placements (Mental Health and Learning Disability) are expected to amount to £296,000.
9. As highlighted in paragraph 4, the budget for some Commissioned Children's Services has now been transferred back to Children's Services.
10. There is still a projected pressure of £704,000, however it is early in the financial year and based on previous years experience it is anticipated that this would be managed within the service. This will continue to be monitored throughout the year.

### **Community Services**

11. The budgets for this directorate were reconfigured in the updated MTFP agreed in February 2017, with additional resource allocated to Community Transport, Waste Disposal and Infrastructure Maintenance.
12. Significant additional income continues to be generated from external contracts, particularly relating to Highways Maintenance (£340,000).

### **Economic Growth and Development**

13. There have been a number of enhancements across public spaces and places which require additional maintenance activities and energy costs.

### **Culture, Leisure and Events**

14. No significant variances identified in the first three months of the financial year.

### **Finance & Business Services**

15. Savings associated with service reviews have been achieved ahead of target (£129,000) and the impact of staff vacancies and turnover will result in a further underspend of (£219,000).

### **HR, Legal and Communications**

16. Complex cases in Adult and Children's Social Care are resulting in increased external Legal costs (£160,000). This pressure is partly offset by service review savings of £35,000 achieved earlier than planned.

### **Corporate Areas**

17. Funding earmarked for inflationary pressures on Concessionary Fares (£150,000) will not be required this year and the expected increase in pension costs will not be as great as originally expected (£100,000). The continued downward pressure on interest rates is impacting negatively on the levels of interest achieved on short term investments (£250,000). Members will be aware from the budget report that we are exploring alternative investments such as property funds to mitigate this impact. There is also a lower than anticipated requirement to utilise the National Living Wage provision (£297,000).

### **Administration/Democratic Services and Xentrall**

18. No significant variances identified in the first three months of the financial year.

### **Managed Surplus**

19. The report to Cabinet in July 2017 on the financial outturn position for 2016/17 identified that a total managed surplus of £81,000 was not currently earmarked for use. This remains the position.

### **General Fund Balances**

20. The Council aims to retain General Fund balances at a recommended level, currently £7,905,000. As reported to Cabinet in July 2017, the level of balances currently exceeds the recommended level by £79,000 and this sum is therefore available to support the MTFP. The position will be kept under review throughout the financial year.

## CAPITAL

21. The Capital budget for 2012/20 is shown at **Appendix A** and summarised in the table below:

<b>CAPITAL PROGRAMME Up to 2020</b>	<b>Current Approved Programme £'000</b>	<b>Programme Revisions £'000</b>	<b>Revised Programme £'000</b>
Schools Capital	52,418	619	53,037
Housing Regeneration & Town Centres Schemes	31,022	11,390	42,412
Transportation	7,258	106	7,364
Other Schemes	32,067	6,546	38,613
<b>Total Approved Capital MTFP</b>	<b>122,765</b>	<b>18,661</b>	<b>141,426</b>

### Reasons for Movements over £100,000

#### New Schemes

22. The Department for Education announced grant funding to make capital investments in provision for pupils with special educational needs and disabilities; £206,435 2018/19, £206,435 2019/20 and £206,435 2020/21 has been added to the capital programme.
23. A S106 highway works at junction Low Lane and Thornaby Road £106,087 funded by the Developer has been added to the capital programme.
24. £6,350,000 Prudential Borrowing has been added to the capital programme to construct a crematorium including gardens of remembrance as per 20<sup>th</sup> April 2017 Cabinet report.

#### Additional Funding

25. An additional £11,390,400 has been added to the capital programme to support the restoration of the Globe as per 20<sup>th</sup> July 2017 Cabinet report.

## COMMUNITY IMPACT IMPLICATIONS

26. N/A

## FINANCIAL IMPLICATIONS

27. To summarise the projected financial position for 2017/18 and to update the MTFP accordingly.

## 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.

#### **COUNCIL PLAN POLICY PRINCIPLES AND PRIORITIES**

30. The report addresses all four Policy Principles in the Council Plan

#### **CORPORATE PARENTING IMPLICATIONS**

31. Not applicable

#### **CONSULTATION INCLUDING WARD/COUNCILLORS**

32. Not applicable.

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## Appendix A

<b>CAPITAL PROGRAMME Up to 2020</b>	<b>Current Approved Programme</b>	<b>Programme Revisions</b>	<b>Revised Programme</b>	<b>Expenditure April 2012 - June 2017</b>
<b>SCHOOL CAPITAL</b>				
School Investment Programme	52,417,504	619,305	53,036,809	5,745,421
<b>SCHOOLS CAPITAL</b>	<b>52,417,504</b>	<b>619,305</b>	<b>53,036,809</b>	<b>5,745,421</b>
<b>HOUSING REGENERATION &amp; TOWN CENTRES SCHEMES</b>				
Housing Regeneration	5,100,829	0	5,100,829	2,685,536
Stockton Town Centre Schemes	24,526,750	11,390,400	35,917,150	4,100,172
Other Regeneration Schemes	1,394,208	0	1,394,208	664,600
<b>HOUSING REGENERATION &amp; TOWN CENTRES SCHEMES</b>	<b>31,021,787</b>	<b>11,390,400</b>	<b>42,412,187</b>	<b>7,450,308</b>
<b>TRANSPORTATION</b>				
Local Transport Plans	4,915,617	0	4,915,617	104,587
Other Transport Schemes	479,489	0	479,489	190,645
Developer Agreements	1,862,912	106,087	1,968,999	1,136,293
<b>TRANSPORTATION</b>	<b>7,258,018</b>	<b>106,087</b>	<b>7,364,105</b>	<b>1,431,525</b>
<b>OTHER SCHEMES</b>				
Private Sector Housing	2,387,968	0	2,387,968	636,472
Building Management & Asset Review	907,365	71,000	978,365	196,777
ICT & Infrastructure	180,215	0	180,215	139,685
Parks, Museums & Cemeteries	336,090	6,350,000	6,686,090	2,301
Energy Efficiency Schemes	14,240,000	0	14,240,000	12,309,159
Other Schemes	14,015,045	125,425	14,140,470	1,172,858
<b>OTHER SCHEMES</b>	<b>32,066,683</b>	<b>6,546,425</b>	<b>38,613,108</b>	<b>14,457,252</b>
<b>Total Approved Capital MTFP</b>	<b>122,763,992</b>	<b>18,662,217</b>	<b>141,426,209</b>	<b>29,084,506</b>