

**ADDENDUM TO FINANCIAL UPDATE & MEDIUM TERM FINANCIAL PLAN REPORT –  
14<sup>th</sup> DECEMBER 2017**

On 5<sup>th</sup> December the National Employers for Local Government Services made a final pay offer to the trade unions, covering period 1 April 2018 to 31 March 2020. The financial implications and impact on the updated MTFP are summarised in this addendum.

**Position – December Report**

The likelihood of a pay award exceeding the existing provision of 1% was recognised and is highlighted at paragraph 22 of the December Report. The provision in the updated MTFP was increased from 1% to 2% per year. This is reflected in the summary budget position at paragraph 27 of the Report, as below.

	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Approved Budget Position	-571	1,188	1,783	696
Pressures	8,427	8,289	6,868	6,532
Resources Available	-10,495	-4,325	-4,280	-4,635
<b>Budget Gap</b>	<b>-2,639</b>	<b>5,152</b>	<b>4,371</b>	<b>2,593</b>
C/F	2,639	-2,639		
<b>Updated Gap</b>	<b>0</b>	<b>2,513</b>	<b>4,371</b>	<b>2,593</b>

**Position updated to reflect impact of Pay Offer**

The actual Pay Offer made on 5<sup>th</sup> December includes a flat-rate increase of 2% for each of the two years, together with significant bottom loading on the lower pay points. The total increase to the national pay bill over two years was stated by the Local Government Employers as being 5.6%. The impact for Stockton across the MTFP has been provisionally assessed as an additional £750,000 in 2018/19 and £1,600,000 pa thereafter (above that included in the December Report). In total this represents an increase of approximately 5.9% on the Stockton pay bill across the two years covered by the offer.

The projected impact on the MTFP is set out in the table below.

	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Approved Budget Position	-571	1,188	1,783	696
Pressures	8,427	8,289	6,868	6,532
Projected Additional Pressure – Pay Offer	750	1,600	1,600	1,600
Resources Available	-10,495	-4,325	-4,280	-4,635
<b>Budget Gap</b>	<b>-1,889</b>	<b>6,752</b>	<b>5,971</b>	<b>4,193</b>
C/F	1,889	-1,889		
<b>Updated Gap</b>	<b>0</b>	<b>4,863</b>	<b>5,971</b>	<b>4,193</b>

Paragraph 29 of the December report identifies an opportunity for reviewing reserves to help manage the longer term position. In view of the significant impact on the MTFP of the recent pay offer aspects of this work have been urgently brought forward. This work has identified that, if necessary, an element of two specific reserves could be released to support the position in 2019/20.

Adult Services - Better Care Fund – There was an unallocated amount of £1.2m carried forward which was held to extend pilots and explore opportunities for changing the way services are delivered. Given that the intention is now to explore expansion of integration of services with Health associated with the BCF, and we have the additional BCF to use to pump prime any developments, this reserve can be released. Funding previously earmarked to support the development of service options is no longer required as we move forward with integration.

Commutated lump sums for maintenance work – The recent service reviews in care for your area has incorporated resources which will deliver all maintenance which means that £700k can be released.

If this funding is brought into the MTFP the revised position is as set out below.

	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Approved Budget Position	-571	1,188	1,783	696
Pressures	8,427	8,289	6,868	6,532
Projected Additional Pressure – Pay Offer	750	1,600	1,600	1,600
Resources Available	-10,495	-4,325	-4,280	-4,635
<b>Budget Gap</b>	<b>-1,889</b>	<b>6,752</b>	<b>5,971</b>	<b>4,193</b>
C/F	1,889	-1,889		
Release of Reserves		-1,900		
<b>Updated Gap</b>	<b>0</b>	<b>2,963</b>	<b>5,971</b>	<b>4,193</b>

The position will be updated in the budget report in February 2018.