

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

27 SEPTEMBER 2018

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Leader of the Council – Councillor Cook

FINANCIAL UPDATE & MEDIUM TERM FINANCIAL PLAN (JUNE 2018)

1. Summary

This report summarises the Council's financial performance and position at the end of the first quarter of the 2018/19 financial year and updates the Medium Term Financial Plan accordingly.

The report updates Cabinet on national funding developments.

2. 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.
3. That the update on Local Government Funding Reform be noted

3. Reason for the Recommendations/Decisions

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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SUMMARY

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RECOMMENDATIONS

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DETAIL

FINANCIAL POSITION AS AT 30 JUNE 2018

GENERAL FUND

1. The following table details the projected budget outturn position for each directorate in 2018/19, based on information to 30th June 2018.

Directorate	Annual Budget £'000	Projected Outturn £'000	Projected Variance Over/(Under) £'000
Children's Services	37,285	38,677	1,392
Adults and Health	71,387	71,387	0
Community Services	32,415	32,064	(351)
Economic Growth & Development	8,016	8,129	113
Culture, Leisure and Events	8,714	8,779	65
Finance & Business Services	8,122	8,034	(88)
HR, Legal and Communications	4,882	5,218	336
Corporate Areas	892	879	(13)
Admin/Democratic Services & Xentrall	6,771	6,701	(70)
Total	178,484	179,868	1,384

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. Evidence from the first quarter of the financial year suggests that pressures continue to be experienced arising from increasing complexity of cases and rising numbers of looked after children, which are now above 500. In common with many other local authorities, this is placing additional demands on both placement and staffing budgets. If current trends continue then there could be a pressure of almost £1.4m in this area by the end of the financial year. A considerable amount of research has now been undertaken at a national level, which suggests there is overall a £2bn deficit in Children's Services budgets, with the impact being felt most in areas of disadvantage as this is the single biggest factor determining the cost of services.
3. The biggest driver of cost is around the duty to provide sufficient placements for children in our care, and the cost of some individual placements. We have undertaken a considerable amount of work in this area, including the establishment of an edge of care service – Our Place- and the development of Family Group Conferencing, as well as the safe families for Children initiative. Evidence suggests that these programmes are able to support children remaining safely at home as an alternative to coming into care. A major review is underway in this area to consider what else could make an impact. This is focusing on a range of interventions, including: options for identifying lower cost placements; the opportunity to reduce out of borough placements; the potential for some children to leave care and return home early a focus on lower cost options such as foster care and Special Guardianship; increasing residential home capacity, better commissioning and contract management practices and a focus on additional expansion of existing or creation of new programmes which help to reduce the need for children to come into care.

Adults and Health

4. The budget for the Directorate was set on the basis that the financial impact of projected growth would be offset by an equal level of savings. Based on information for the first quarter of the year it is expected that a balanced position will be achieved.

Community Services

5. Rising fuel costs for vehicles are resulting in a projected financial pressure of £105,000. We are currently trialling alternative vehicles (e.g electric vehicles) and the outcome of these trials will inform a review of the future specification and costs of vehicles and how they are financed.. Based on current projections underspending is anticipated on Catering Services (£110,000), Community Transport (£131,000) and on Waste (£331,000).

Economic Growth and Development

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

Culture, Leisure and Events

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

Finance & Business Services

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

HR, Legal and Communications

9. The increasing demand on children's social care, highlighted in paragraph 2, is also impacting on the costs of legal support, with a projected overspend of £336,000 in 2017/18 on external legal work. The model of delivery for this legal support is currently being reviewed.

Corporate Areas

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

Administration/Democratic Services and Xentrall

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

General Fund Balances

12. The Council aims to retain General Fund balances at a recommended level, currently £7,400,000. As reported to Cabinet in July 2018, the level of balances at the end of financial year 2017/18 exceeded the recommended level by £472,000 plus a sum of £43,000 in managed surplus not currently earmarked for use. This sum of £515,000 is therefore available to support the MTFP, including to offset the projected pressures summarised in paragraph 1 should these materialise at year end. The position will be kept under review throughout the remainder of the financial year.
13. The Council's strong record in financial management and delivering value for money is again demonstrated in the Annual Audit Letter for 2017/18, which is presented to Members elsewhere on this Agenda.

CAPITAL

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

CAPITAL PROGRAMME Up to 2021	Current Approved Programme £'000	Programme Revisions £'000	Revised Programme £'000
Schools Capital	49,978	369	50,347
Housing Regeneration & Town Centres Schemes	42,159	64	42,223
Transportation	7,256	140	7,397
Other Schemes	27,700	285	27,985
Total Approved Capital MTFP	127,093	858	127,952

Reasons for Movements over £100,000

New Schemes

A S278 highway works for housing development south of Kirklevington £161,000 funded by the Developer has been added to the capital programme.

An additional £153,000 contribution for Phase 3 of the England Coastal Path has been added to the capital programme.

Additional Funding

Additional contributions from the academy trust have been added into the capital programme to support the school expansion project at Our Lady & St Bede; £100,000 for 2018/19 and £125,000 for 2019/20.

The Department for Education announced additional grant funding in May 2018 to make capital investments in provision for pupils with special educational needs and disabilities; £144,000 has been added to the capital programme.

Other Programme Revisions

A contribution from LTP Integrated Transport totalling £150,000 has been included in the capital programme to fund Low Lane/Thornaby Road signalisation works.

NATIONAL DEVELOPMENTS – LOCAL GOVERNMENT FUNDING REFORM

15. Previous reports to members have highlighted the uncertain funding outlook for local government and particularly the lack of certainty on funding post 2020 when the current four year financial settlement ends. This remains the case as we await the outcome of the Spending Review in the autumn and detail on how the Fair Funding Review and further Retention of Business Rates will be implemented. The complexities of the national Fair Funding Review are demonstrated in a recently published paper from the Institute of Fiscal Studies (IFS). A copy of this document can be found at <https://www.ifs.org.uk/publications/13275>. The Council will continue to monitor the position closely and is actively contributing to the national and regional local authority response.

Further uncertainty has been introduced by the announcement by MHCLG in the 2019/20 Settlement Consultation that 2019/20 is intended to be the final year of New Homes Bonus (NHB) in its current form. Government intend to review the baseline of housing growth of 0.4% for 2019/20 and also to undertake a review of how to incentivise housing growth from 2020/21. Further information is awaited and currently the implications for Stockton are unclear.

COMMUNITY IMPACT IMPLICATIONS

16. As part of the process of making changes to policy or delivery of services, we consider the impact on our communities. No changes to policy or service delivery are proposed as part of this report.

FINANCIAL IMPLICATIONS

17. To summarise the projected financial position for 2018/19 and to update the MTFP accordingly.

LEGAL IMPLICATIONS

18. None

RISK ASSESSMENT

19. The update of the MTFP is categorised as low to medium risk and is covered by existing management arrangements. The Annual Audit Letter does not present any risks. It comments on the overall governance arrangements, which are performing well.

COUNCIL PLAN POLICY PRINCIPLES AND PRIORITIES

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

CORPORATE PARENTING IMPLICATIONS

21. Not applicable

CONSULTATION INCLUDING WARD/COUNCILLORS

22. Not applicable.

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Appendix A

CAPITAL PROGRAMME Up to 2021	Current Approved Programme	Programme Revisions	Revised Programme	Expenditure April 2013 - June 2018
SCHOOL CAPITAL				
School Investment Programme	49,977,646	369,000	50,346,646	4,587,007
SCHOOLS CAPITAL	49,977,646	369,000	50,346,646	4,587,007
HOUSING REGENERATION & TOWN CENTRES SCHEMES				
Housing Regeneration	2,199,410	34,081	2,233,491	14,505
Stockton Town Centre Schemes	35,863,317	0	35,863,317	9,602,447
Infrastructure Enhancements & Property Acquisitions	4,096,275	30,000	4,126,275	1,087,149
HOUSING REGENERATION & TOWN CENTRES SCHEMES	42,159,002	64,081	42,223,083	10,704,101
TRANSPORTATION				
Local Transport Plans	4,496,419	(199,195)	4,297,224	463,174
Other Transport Schemes	1,615,015	28,596	1,643,611	904,168
Developer Agreements	1,144,812	311,000	1,455,812	1,068,569
TRANSPORTATION	7,256,246	140,401	7,396,647	2,435,911
OTHER SCHEMES				
Private Sector Housing	2,180,122	5,496	2,185,618	222,463
Building Management & Asset Review	794,051	0	794,051	0
Parks, Museums & Cemeteries	7,741,647	279,767	8,021,414	395,598
Energy Efficiency Schemes	340,000	0	340,000	0
Leisure Facility Ingleby Barwick	13,300,000	0	13,300,000	979,543
Other Schemes	3,344,159	0	3,344,159	196,316
OTHER SCHEMES	27,699,979	285,263	27,985,242	1,793,920
Total Approved Capital MTFP	127,092,873	858,745	127,951,618	19,520,939