

CABINET MINUTE NUMBER CAB 133/11

Cabinet Meeting – 23rd February 2012

1. Title:-

Medium Term Financial Plan Update and Strategy

2. Minute Details:-

Members considered the final report in the process of determining the Council's 2012/2013 budget and Medium Term Financial Plan (MTFP) position for 2012 to 17. The report included Council Tax proposals and outlined the approach to the financial issues faced by the Council.

A table detailing the current MTFP for each of the Council's services was provided, together with commentary relating to changes in the position since the previously reported position.

The General Fund balances were anticipated to be £10.8m, which was £2.3m above the 3% required and this surplus was available as one off resources.

Members were reminded that, in December 2011, they had considered a report detailing potential changes to the Council's MTFP. Since then the financial position had been updated at the report presented to this meeting identified the decisions needed for setting the 2012/13 budget and the impact on the indicative MTFP.

Cabinet was reminded that the indicative MTFP for 2012/15 outlined in the 2011/12 budget report had assumed a Council Tax of 3.5% and showed budget gaps as follows:-

2012/13 - £158,000
2013/14 - £408,000
2014/15 - £6, 272,000

Members were also reminded that the current plan included a significant level of savings which had been identified through the Council's efficiency measures.

The MTFP had been reviewed and updated and also rolled forward for an additional two years in order to demonstrate the financial position the Council could be facing in the long term. A number of changes had been incorporated into the plan including estimates around future funding, expenditure estimates and service pressures.

Taking account of those changes the updated MTFP position was detailed to members as follows:-

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Funding					
RSG	-70,231	-68,280	-62,996	-60,096	-57,296
Council Tax - 2011/12 Freeze Grant	-1,800	-1,800	-1,800		
Council Tax	-75,516	-78,523	-81,649	-84,901	-88,284
New Homes Bonus	-1,320	-1,320	-1,320	-1,320	-1,320
Total Funding	-148,867	-149,923	-147,765	-146,317	-146,900
Spending Plans	147,940	149,111	152,184	156,087	160,493
EIT Savings	-1,218	-1,525	-1,597	-1,672	-1,745
Insurance		-1,964	-1,975	-1,987	-1,987
Pressures	250	1,050	1,050	2,750	2,750
Interim Growth	1,895				
Spending Plans	148,867	146,672	149,662	155,178	159,514
Budget Gap	0	-3,251	1,897	8,861	12,614

It was explained that the Council Tax levels included in the MTFP above were based on an increase of 3.49% which was consistent with the indicative position outlined in the budget report for 2011/12. Members were reminded that in 2011/12, Council Tax was frozen and the equivalent increase (in Stockton's case £1.8m) was funded through Government Grant. This grant was guaranteed for 4 years and this could be seen in the table above, including the impact of this discontinuing. The Government had recently indicated that funding would again be available for Council's to freeze Council Tax in the forthcoming year, again with Council's receiving the equivalent of 2.5% increase. Critically however, this was a one year allocation only and if Stockton accepted this funding there would be a significant additional pressure on its MTFP as demonstrated below.

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Current Planned Council Tax Levels					
Opening Council Tax Income	72,986	75,517	78,523	81,650	84,902
Increase (@3.49%)	2,530	3,006	3,127	3,252	3,382
Council Tax for the year	75,516	78,523	81,650	84,902	88,284
Impact of Freeze Funding					
Opening Council Tax Income	72,987	72,987	75,892	78,913	82,056
Increase (@ 3.49% from 2013/14)	0	2,905	3,021	3,143	3,268
Freeze Grant	1,812	0	0	0	0
Funding for the Year	74,799	75,892	78,913	82,056	85,324
Pressure on MTFP	717	2,631	2,737	2,846	2,960

Given the level of additional pressure caused by the accepting the freeze grant across the MTFP, it was recommended that the Council increases Council Tax levels by 3.49%. This would mean 82p per week for a Band D Council Tax and 55p per week for Band A.

Although the plan included savings of almost £20m, it was clear additional savings were required. Whilst all services had been reviewed through the EIT process there were a range of areas which were worthy of further exploration.

The updated plan had, once again, identified pressures in energy, waste and social care. Whilst there had been significant efforts to reduce costs in these areas, the level of growth and potential pressures had required over £2.5m to be allocated to those areas in each of the last two years. Given the Council's financial position, it was important to do everything possible to avoid future pressures and this indicated a need to have a consolidated and targeted approach to considering options, which maybe radical, to avoid further increases. It was therefore recommended that detailed reviews of these areas were undertaken. These areas were also identified as part of Phase 2 of the Council's approach to procurement category management and this would be a key aspect of this work. Whilst these would attempt to reduce costs, given the level of growth in recent years, the initial focus would be to avoid increases and therefore for the purpose of this report, no savings in these areas had been assumed.

There were a number of areas where EIT reviews identified potential additional work, and it was recommended that those were now brought forward, along with some cross cutting areas which were worthy of review. These also linked with the procurement category management approach and were:

- Transport
- Street Lighting
- Subsidies to External Organisations (e.g. TAL)
- Vehicles and Fuel
- Fees and Charges
- Terms and Conditions

It was estimated that these areas could contribute approximately £1m to the savings target by 2014/15 which would mean that the budget position would be as below. The reviews had been incorporated into Service Improvement Plans and also the Council's Scrutiny Programme.

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
ESTIMATED BUDGET GAP (as per paragraph 15)	0	(3,251)	1,897	8,861	12,614
Efficiency Reviews		(500)	(1,000)	(1,000)	(1,000)
ESTIMATED BUDGET GAP	0	(3,751)	897	7,861	11,614

Members noted that under the Localism Act the Council was now required to produce a pay policy statement each year. Members were supplied with a proposed statement for 2012/13 at Appendix A to the report.

Member then considered reserves and one off resources and noted the calls on them including Town Centre and Housing Regeneration Cashflow issues as well as investment requirements and priorities. Members were provided with details of funding:

Scheme	£'000
Previously Supported Schemes	
Community Participation Budget (3 yrs)	1,200
Repairs & Maintenance (2 yrs)	600
Aids and Adaptations (3 yrs)	450
Cemetery Maintenance	150
New Schemes	
Billingham Library & Contact Centre	1,500
Tees Valley Broadband	140
Thornaby Road Scheme Match funding	300
Housing Match Funding - Empty Homes	500
Wheeled Park Facilities	200
Events	300
TOTAL	5,340

Summary of One-off Resources

	£'000
Resources Available	22,150
Less	
Housing & Town centre Cashflow	5,300
Town Centre Phase 2 Cashflow	5,000
One Off Schemes	5,340
	15,640
Available Resources	6,510

It was proposed that the remaining £6.5 detailed above be retained to support investments, which generate ongoing revenue income.

Members were informed that officers were looking at opportunities to reduce costs around Children's residential care provision and enabling children to be placed in provision within the Borough. A potential solution could be the use of the former King Edwin School site and a possible partnership with a private sector provider. Cabinet had previously agreed to demolish this building, however, it was recommended that the demolition be delayed whilst a procurement exercise was undertaken to explore this option.

It was explained that the Council could consider developing detailed plans to address the estimated gap in 2015/16, however, Members agreed that given the levels of uncertainty and the work currently ongoing this should be delayed and considered as part of the 2013/14 budget cycle.

Cabinet then noted the Capital budget for 2011/12 and noted the variances that would be carried forward into 2012/13

Members were provided with details of Government funding allocations and noted that the Capital Programme had been reviewed and updated and was provided as Appendix B to the report.

Members were provided with a summary of the MTFP position:

- There was a balanced budget in 2012/13, and a projected surplus in 2013/14

of £3.75m.

- It was estimated that there would be a revenue budget gap of £7.8m in 2015/16 and £11.6m in 2016/17, however there was significant uncertainty around these years of the plan and the situation would be reviewed on an annual basis.
- £22.15m (includes the 20013/14 projected surplus) of one-off resources had been released into the MTFP and this would be utilised as follows:
 - Housing Regeneration and Stockton Town Centre cashflow £5.3m
 - Stockton Town Centre Phase 2 £5m
 - Investment/Schemes £5.34m
 - Retained for investment opportunities £6.51m

Members were provided with details of the impact a 3.49% (£75,016,771) increase in Stockton's Council Tax for 2012/13 would have on Band A and Band D properties in the Borough.

Details of the precepts set by the Fire Authority and parishes were also provided. It was noted that the Police Authority would not set its precept until 29 February 2012.

Cabinet was provided with formal Tax recommendations at appendix C to the report as well as the Council's Treasury Management Strategy at Appendix D

RECOMMENDED to Council that:

1. in accordance with the Local Government Act 2003, Members note that the Section 151 Officer confirms that the following recommendations:
 - a) represent a robust budget which has been prepared in line with best practice,
 - b) provide adequate working balances at 3% of general fund, and
 - c) that the controlled reserves and provisions are adequate for their purpose.

General Fund Budget

2. a 2012/13 Council Tax requirement for Stockton-on-Tees Borough Council of £75,016,771 be approved
3. a 2012/13 Council Tax requirement for Stockton-on-Tees Borough Council inclusive of Parish Precepts (£617,577) of £75,634,348 be approved.
4. the 2012/13 budget and indicative 2012/17 MTFP as outlined in paragraphs 15 and 20 and the use of balances and reserves as outlined in paragraph 32 be approved
5. The Pay Policy Statement as attached as at **Appendix A** to the report considered by Cabinet be approved.

Taxation

SBC

6. the Council Tax for Stockton-on-Tees Borough Council prior to Parish, Fire and Police Precepts be increased by 3.49% i.e. to £1264.16 at Band D (£842.77 at Band A)

Fire, Police & Parish

7. the precept of the Police Authority be noted when it is notified to the Council.
8. the Fire Precept of £3,946,189 which equates to a Council Tax of £66.50 at Band D (£44.33 at Band A) be noted.
9. the Parish precepts as set out in paragraph 44 of the budget report considered by Cabinet be noted

Capital

10. the Capital Programme attached at **Appendix B** to the report considered by Cabinet be approved.

Council Tax - Statutory Requirements

11. the statutory requirements for Council Tax as shown in **Appendix C** to the report considered by Cabinet be approved.

Treasury Management/Prudential Code

12. the Treasury Management Strategy, Minimum Revenue Provision Statement, Investment Strategy and Prudential Indicators for **2012/13–2014/15** as set out in **Appendix D** to the report considered by Cabinet be approved.

RESOLVED that

13. the demolition of King Edwin School be delayed and a procurement exercise undertaken into child placements which could incorporate the redevelopment and use of the facility.