

MINUTE EXTRACT

Cabinet Meeting – 18th February 2016

1. Title of Item/Report

Medium Term Financial Plan Update and Strategy

2. Record of the Decision

Consideration was given to a report on the Medium Term Financial Plan Update and Strategy.

This was the final report in setting the Council's 2016/17 budget and Council Tax and outlining the Medium Term Financial Plan (MTFP) position to 2020.

The MTFP report for 2016/17 to 2019/20 is attached. The report outlines the Council Tax proposals and budget for 2016/17 and the indicative MTFP for the next three years.

The report updated the position from that reported to Cabinet and Council in September 2015 and in particular reflected implications arising from the Spending Review/Autumn Statement and the Local Government Finance Settlement for 2016/17.

The Provisional and Final Financial Settlements had provided indicative funding allocations for the next four years which outlined further funding reductions which would make the difficult financial position faced by the Council even more challenging.

The Council had a strong track record of prudent financial management and delivering savings early. This had enabled the use of reserves to support a planned and managed approach to addressing the financial challenges and this would continue.

The report also outlined future changes to Local Government Finance, most noticeably the proposal to move to 100% of business rates retained by Local Authorities, and changes to the New Homes Bonus. These were potentially major changes which were likely to have an impact on Council funding. This meant that the position for 2017/18 onwards outlined in the report needed to be treated with some caution.

The report contained sections on:

- Background & context
- National Funding Changes
- Financial position at 31 December 2015
- Big Ticket Update
- 2016/17 Council Tax Levels including Adult Social Care Levy
- Updated Medium Term Financial Plan
- Big Picture Programme – Service Reviews
- Future Changes and Roles
- One-off Resources
- Capital Programme
- Business Rate Relief Scheme
- Pay Policy

- Precept Levels
- Treasury Management Strategy
- Reserves Policy

The updated Medium Term Financial Plan included in the September Cabinet Report including the approved savings was detailed within the report with the plan rolled forward to include 2019/20. This included the proposed use of £6.1m reserves to balance the budget in 2016/17.

There had been significant lobbying from within the Local Government Sector around pressures relating to Adult Social Care due to increasing costs relating to an ageing population. No funding had been allocated by the Government however they had indicated that the mechanism to support some of these pressures was the flexibility to raise a social care levy, through Council Tax and they had assumed in the Finance Settlement that Authorities would adopt this levy at 2%. There was a clear requirement that this needs to be set against the context of the increasing cost and demand pressures in Adult Social Care, which would be exacerbated by the impact of the Government's proposals around Living Wage, to which no reference had been made in the Finance Settlement.

The Government had presented the Settlement information in terms of a new measure, "Core Spending Power" with the headline being that this showed an increased Spending Power for Local Authorities by 2019/20.

A table within the report, published as part of the Provisional Settlement, demonstrated the Spending Power Calculation between 2015/16 and 2019/20.

It was noted that the position for 2017/18 onward was indicative but the table demonstrated that the Government's headline figure showed:

- Reductions in Settlement Funding Assessment of 34%, a £23m reduction by 2019/20 as compared to £17m previously estimated. The figure from 2016/17 was a £9m reduction compared to the £7.4m included in the current MTFP.
- Indicative allocations for additional income from the Better Care Fund of £4.9m by 2019/20 but an indicative reduction of £2m in New Homes Bonus
- Assumed Council Tax increase of £13m which was based on a 1.75% increase plus growth. The Government had assumed a notional level of taxbase growth of 2% per year, approximately 1,600 properties, which was significantly above the level of growth included in the projections (0.5% per year, 450 properties).
- An assumption that the Council would implement a 2% Social Care levy generating £6.7m by 2019/20.
- Effectively, Government funding reductions were balanced by assumed increases in Council Tax which were extremely optimistic and included the new Social Care levy.

A table within the report outlined the managed surplus position of each service. Given the agreed approach for Big Ticket areas, they were not included in these figures and were covered separately in the report. It was

noted that future reports would present this information in a new format reflecting the recent changes to the senior management structure.

The Medium Term Financial Plan in 2013 agreed the strategy that the Big Ticket Reviews would aim to stem future financial pressures in the areas of Adult Social Care, Children's Social Care and Energy and Waste through:

- Reducing costs in these areas where possible
- Stemming growth through examining alternative means of service delivery

The position had been reviewed at 31 December 2015, with the implications set out in the report.

A table within the report demonstrated that the impact of the Living Wage was estimated to be £2m rising to £8m and the levy would contribute to this pressure but not fully fund it. This was in addition to the growth pressure and savings targets.

The indicative MTFP had been rolled forward one year to include 2019/20 and had been updated to reflect the impact of the National Funding Reductions, National Policy changes and further updates. The changes to the MTFP were summarised in a table within the report.

The overall impact of the National Funding and Policy Changes was approximately £5m in 2016/17 rising to £14m in 2019/20. Once other changes and before the savings programme and use of resources were taken into account the budget gap will be £13.3m in 2016/17 and £26.8m by 2019/20.

The updated Medium Term Financial Plan was re-presented within the report.

Recent Government announcements had highlighted a number of potential issues and risks that may impact on the future financial position. They were summarised within the report under the following key headings:-

Retention of Business Rates & New Responsibilities
New Homes Bonus
School Funding

The report to Council in September outlined a number of areas where proposals would be submitted to Cabinet prior to implementation. Information and updates in respect of some of these areas was detailed within the report and the overall programme was attached to the report.

The overall position on available capital and one-off resources was summarised within the report. The table demonstrated that there was £11.5m in one off resources available.

A table within the report summarised the recommended uses identified for the one-off funds.

It was noted that the sum of £10m, identified for Infrastructure for South of the Borough, was still approved and committed for the development of a Leisure Facility in Ingleby Barwick.

The Capital Programme as at 31 December 2015 was attached to the report and summarised within the report.

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. The reduction in Government funding between 2010/11 and 2015/16 of £52m be noted (approximately 43% in cash terms, 59% in real terms) and the projection that this will increase by a further £21m to £73m by 2019/20.
3. A 2016/17 Council Tax requirement for Stockton-on-Tees Borough Council of £74,221,362 be approved.
4. A 2016/17 Council Tax requirement for Stockton-on-Tees Borough Council inclusive of Parish Precepts (£699,201) of £74,920,563 be approved.
5. The 2016/17 budget and indicative 2016/20 MTFP as outlined in paragraphs 55 - 58 and the use of balances and reserves as outlined in paragraph 84 be approved.

Business Rate Relief System

6. The changes introduced in the 2015 Autumn Statement be noted.

Taxation

SBC

7. The Council Tax for Stockton-on-Tees Borough Council prior to Parish, Fire and Police Precepts be increased by 3.9%, which includes the Government Levy of 2% in respect of Social Care, i.e. to £1,389.77 at Band D (£926.51 at Band A) be noted.

Fire, Police & Parish

8. The Police precept of £11,234,381 which equates to a Council Tax of £210.36 at Band D (£140.24 at Band A) be noted.
9. The Fire precept of £3,829,173 which equates to a Council Tax of £71.70 at Band D (£47.80 at Band A) be noted.
10. The Parish precepts as set out in paragraph 101 of the budget report be noted.

Capital

11. The Capital Programme attached at Appendix B & C be approved.

Organisational and HR

12. The Pay Policy Statement attached at Appendix D to this report be approved.

Council Tax - Statutory Requirements

13. The statutory requirements for Council Tax as shown in Appendix E be approved.

Treasury Management/Prudential Code

14. The Treasury Management Strategy, Minimum Revenue Provision Statement, Investment Strategy and Prudential Indicators for 2016/17 – 2018/19 as set out in Appendix F to the report be approved.

Reserves Policy

15. The Reserves Policy as set out in Appendix G be approved.

CABINET RESOLVED that:-

16. The changes in respect of Care for Your Area, Environmental Health and Trading Standards and Housing outlined in Section 7 of the report be approved.