

AGENDA ITEM

**REPORT TO EXECUTIVE
SCRUTINY**

5 JULY 2013

**REPORT OF CORPORATE
MANAGEMENT TEAM**

MEDIUM TERM FINANCIAL PLAN UPDATE – MARCH 2013

SUMMARY

Members will be aware from the report presented to Council on 27 February 2013 and 11 June 2013 of the financial pressures facing the Council and the approach to savings to address these pressures. This report focuses on the financial performance and position at the end of the 2012/13 financial year and updates the Medium term Financial Plan accordingly. The financial outlook continues to be uncertain with indications of further funding reductions as part of the Spending Review in June and officers continue to manage finances carefully in light of the uncertainty.

RECOMMENDATIONS

1. That the Medium Term Financial Plan (MTFP) and the current level of general fund balances be approved.
2. Members also note the financial uncertainty surrounding the Spending Review and the continued planned approach to financial management and delivery of efficiencies.

DETAIL

FINANCIAL POSITION

General Fund

1. The following table details the current MTFP position of each service. Officers have continues to be mindful of the financial pressures and have been continuing to monitor expenditure closely in all areas.

Service Reserves (MS)/MC	Previously reported position at 31/3/13 (MS) / MC's £'000's	Projected Outturn position at 31/3/13 (MS) / MC's £'000's	Projected Outturn position at 31/3/14 (MS) / MC's £'000's	Projected Outturn position at 31/3/15 (MS) / MC's £'000's
CESS	(1,163)	(1,955)	(1,400)	(700)
D & NS	(600)	(1,005)	0	0
RESOURCES	(694)	(934)	(317)	(271)
LAW & DEMOCRACY	(157)	(182)	(161)	(140)
TOTAL	(2,614)	(4,076)	(1,878)	(1,111)

Children, Education and Social Care

2. Reports to members throughout the year have identified pressures within Children and Adult Social Care. The budget report has identified both of these areas as 'big ticket' areas of spend which are expected to increase over the medium term financial plan and a provision of £1.8m has been included. A number of reviews are ongoing and the report to Council on June provided members with an update on the position.
3. There has however been some areas of improvement in the position of the service since the last reported position and these are outlined below:
 - A grant was received to support pressures within the service which reduced the call on managed surplus by £300,000.
 - The funding in relation to services provided to schools is extremely uncertain due to the conversion to Academy status. There are two aspects to this issue:
 - i. Services which are bought by schools.
 - ii. Core funding previously used to provide a range of services to schools has been replaced by grant which is distributed to Academies as well as the Council.

The services will be reviewed and every effort made to maintain the service through buy back arrangements, however in advance of this review, officers have been managing vacancies etc. which has generated £350,000 savings in advance of the reviews. This will be used to fund redundancy costs and has therefore been transferred to the transformation reserve.

Big Ticket

- There have been a number of unspent balances on individual client budgets together with additional client contributions to care costs and this has generated £350,000.
- Members will be aware of the procurement exercise for the provision of homecare services. Part of that arrangement was to review the mechanisms for and arrangements for identifying services provided and payments due. This has identified efficiencies in a number of areas and savings of £300k have been made.

The savings identified will be considered as part of the Big Ticket reviews to assess the level of ongoing savings in these areas. These savings will contribute to the growth pressures included within the MTFP for social care.

4. A report outlining ongoing workload pressures associated in Childrens' Social Care and the need for additional staffing resources in this area is included elsewhere on the agenda for this meeting. The managed surplus will be utilised to support the additional resource required within social care in the medium term. This will be re-assessed once further work has been undertaken on the Big Ticket areas to determine the long term implications and if required, this will be considered as part of a future budget report.

Development & Neighbourhood Services

5. The main variances within this area are with regards to planning fee income and waste disposal costs and these are explained below :
 - Planning fee income has improved by approximately £150,000 and this is mainly due to a small number of high value planning applications being received towards the end of the financial year. This area is extremely volatile and uncertain and income levels are affected significantly by major applications and there are also changes in legislation which may affect income. The savings proposals presented to Council on 11 June include a recognition of some increased income and this area will continue to be monitored closely.
 - Costs of Waste Management were expected to overspend however there has been an improvement in this area of £190,000 due to two main issues
 - i. There was a reduction in waste costs associated with the Civic Amenity Site due to a reduction in tonnages as a consequence of people being deterred from using the site for rubble etc following introduction of charges.
 - ii. Waste disposal costs were £100,000 lower than anticipated due to the performance of the SITA plant. If the plant is closed for maintenance then disposal costs are higher, and the 'down time' was less than anticipated as part of the budget. Again this is an extremely volatile area and will be managed closely and will be incorporated into the Big Ticket work assessing energy and waste costs.

Resources

6. The main areas of improvement in Resources are as follows:
 - Savings in Finance and Procurement of £140,000 due to increased rebates generated through Procurement and also savings associated with Risk Management external advisors. This has been included in the savings proposals.
 - Savings in Taxation and Administration due to increased court cost income and savings associated within customer service through management of vacancies in planning for reductions proposed as part of the savings exercise.

General Fund Balances

7. At the time of the budget, general fund balances were expected to be £10.7m which was £2.2m above the 3% recommended target and this was allocated and utilised as part of one off resources. The position has now improved as follows:
 - The budget report in 2012 allocated a provision for managing growth pressures with Social Care of £1.9m. Whilst growth has been experienced, particularly around Looked After Children, this has been managed within the service. This was recognised in the report to cabinet when £1.5m was released. We are now in a position to release the remaining £400k and this will therefore return to balances.

- Despite the poor interest rates, interest on balances was actually higher than anticipated by £400,000 due to being able to secure better than expected interest rate returns in making investments of up to 12 months with UK based banks.
- Despite an increase in Housing Benefit claimants, there is an overall saving on the benefits budget of £388,000. This is due to the mechanics of the subsidy system in relation to the Local Housing Allowance which means that all benefits now attract subsidy whereas previously some payments only received 60%. This area is again extremely uncertain and will change with the move to Universal Credit.

Capital

8. The Capital budget for 2012/18 is shown at **Appendix A** and summarised in the table below:

Category	Current Programme	Revisions in Period	Revised Programme	Completed Scheme	Variance	Revised Programme
	'000	'000				'000
School Capital	42,096	(63)	42,033	(5,032)	(108)	36,893
Housing Regeneration & Town Centre	50,782	461	52,244	(100)	12	51,155
Transport	16,127	135	15,992	(3,028)	131	13,095
Other	12,841	934	13,775	(2,315)	9	11,469
TOTAL	98,103	1,198	123,043	(10,475)	44	112,612

9. There are a number of changes to the programme and also a number of schemes which were completed during the year and these are shown on the attached **Appendix B** together with the cost variation on that scheme. Depending on the nature of funding, the savings and overspends will managed through either the ringfenced resources (e.g. schools, housing regeneration schemes etc) or through available corporate capital resources.

FINANCIAL IMPLICATIONS

10. To update the MTFP.

LEGAL IMPLICATIONS

11. None

RISK ASSESSMENT

12. The update of the MTFP is categorised as low to medium risk and is covered by existing management arrangements.

EQUALITIES IMPACT ASSESSMENT

13. Not applicable

CORPORATE PARENTING

14. Not applicable

CONSULTATION INCLUDING WARD/COUNCILLORS

15. Not applicable.

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