

## AGENDA ITEM

### REPORT TO EXECUTIVE SCRUTINY

17 DECEMBER 2013

### REPORT OF CORPORATE MANAGEMENT TEAM

## MEDIUM TERM FINANCIAL PLAN UPDATE – SEPTEMBER 2013

### Summary

This is the first report to be presented to Members in respect of the 2014/15 budget and Medium Term Financial Plan (MTFP). The final report will be presented to Cabinet and Council in February 2014. The report also provides an update on the 2013/14 financial position and outlines progress on the Big Ticket Reviews.

### Recommendations

1. That the MTFP and the current level of general fund balances be noted.
2. That the financial position for the 2014/15 to 2017/18 be noted.
3. That the level of reserves and balances and potential utilisation be noted.
4. That the progress on the Big Ticket Reviews be noted.

### DETAIL

#### Background and Context

1. The Medium Term Financial Plan (MTFP) report to Council on 27 February 2013 set a balanced budget for 2013/14 and agreed an approach to addressing the budget gap in future years.

*Table 1 Budget Gap*

|                               | 2013/14<br>£'000 | 2014/15<br>£'000 | 2015/16<br>£'000 | 2016/17<br>£'000 |
|-------------------------------|------------------|------------------|------------------|------------------|
| Shortfall – Big Ticket Growth | 1,800            | 3,600            | 5,400            | 7,200            |
| Shortfall – everything else   | (1,800)          | 839              | 7,146            | 10,646           |
| Total Shortfall               | £nil (a)         | £4,439           | £12,546          | £17,846          |

(a) After use of £1.6m of reserves

2. The approach was twofold:
  - a. A series of Big Ticket Reviews to identify savings, look at alternative ways of working and delivering services and to try and promote alternative solutions to restrict growth pressures.
  - b. A series of service reviews, savings and efficiency measures.
3. The report to Council in June 2013 approved savings proposals covering all portfolios totalling £7.4m by 2016/17, and also agreed a number of detailed reviews to report back to cabinet with target savings of a further £2m. These savings proposals will have the following impact on the

Council's MTFP based on the assumption that the Big Ticket reviews deliver changes and savings to stem growth pressures.

|   | 2014/15<br>£'000 | 2015/16<br>£'000 | 2016/17<br>£'000 |
|---|------------------|------------------|------------------|
| <b>Core Budget Gap At 13-14 Budget Setting</b>          | <b>839</b>       | <b>7,147</b>     | <b>10,646</b>    |
| <b>Corporate Savings Plan</b>                           |                  |                  |                  |
| Service Reviews Savings Approved                        | -5,789           | -6,764           | -7,467           |
| Service Reviews Savings Target - Report Back to Cabinet | -505             | -1,913           | -2,018           |
| <b>Budget Gap after savings programme</b>               | <b>-5,455</b>    | <b>-1,530</b>    | <b>1,161</b>     |

If the plan was rolled forward for an additional year to 2017/18, the budget gap would be £708,000 without budget reductions.

4. At the time of the 2013/14 budget report and also the update to Members in June, the Government had only provided indicative grant allocations to 2014/15 and the future funding assumptions in the MTFP were based on estimates based on Government announcements.
5. Members will be aware from subsequent briefings that there have been further announcements resulting in further reductions in Government Funding to Councils. The announcements were in the form of the Spending Round in June and also a technical consultation paper issued in July. The technical consultation document in particular identified significant financial implications.
6. The Council has seen a significant reduction in Government funding over recent years. If the consultation is implemented based on the current proposals, it would mean that the overall reduction in government funding to Stockton between 2010/11 and 2015/16 would be £54m, the equivalent of 45% (56% real terms).
7. There are currently no details on funding for 2016/17 and future years and this is unlikely to be clarified until a further Spending Round in 2015 following the General Election. Indications are however that further reductions are likely and we will therefore again need to include an estimate for planning purposes.
8. The current Medium Term Financial Plan is based on an assumed Council Tax increase of 1.9% per annum. Members will be aware that the decision was taken in both 2012 and 2013 to increase Council Tax as opposed to freezing tax levels and accepting a Government grant offer which was not guaranteed for the long term. Had these decisions not been taken, the gap in 2016/17 would have been approximately £3.8m higher.

## **FINANCIAL POSITION as at 30 September 2014**

### **General Fund**

9. Paragraph 2 above outlines a change in approach to the MTFP and an increased focus on Adults Social Care, Childrens Social Care and Energy and Waste. A growth provision of £1.8m per year was earmarked to deal with growth items within these areas and significant programmes of work are underway to identify savings, develop alternative ways of working and initiatives to stem growth. This report provides an update on these areas and these areas are outside of service medium term financial plans
10. The following table provides an update of the medium term financial plan for each service. Members will be aware of the savings proposals presented by Cabinet to Council in June 2013

and in advance of these proposals officers have been continuing to monitor closely expenditure in all areas.

| <b>Service Reserves (MS)/MC</b> | <b>Previously reported position at 31/3/14 (MS) / MC's £'000's</b> | <b>Projected Outturn position at 31/3/14 (MS) / MC's £'000's</b> | <b>Projected Outturn position at 31/3/15 (MS) / MC's £'000's</b> | <b>Projected Outturn position at 31/3/16 (MS) / MC's £'000's</b> |
|---------------------------------|--|--|--|--|
| CECSC                           | (1,200)  | (1,414)  | (785)  | (116)  |
| D & NS                          | 0  | (0)  | (0)  | (0)  |
| RESOURCES                       | (534)  | (487)  | (251)  | (205)  |
| LAW & DEMOCRACY                 | (171)  | (161)  | (121)  | (121)  |
| <b>TOTAL</b>                    | <b>(1,905)</b>   | <b>(2,062)</b>   | <b>(1,157)</b>   | <b>(442)</b>   |

## **Children, Education and Social Care**

### CECSC Other

11. Members will be aware of the savings programme across all services and there are a number underway and planned across CECSC. In advance of these reviews officers are continuing to monitor spend carefully and are making savings across a range of areas through vacant posts, etc., and the position has slightly improved since the last report.
12. The managed surplus has been earmarked for use in future years to support the staffing costs associated with pressures around Looked After Children as previously agreed by Cabinet.

## **Development & Neighbourhood Services**

### DANS - Other

13. There are no changes overall to the MTFP position. The June report outlined a number of emerging issues which were of potential concern. An updated position of pressures is outlined below:
  - Planning applications were low in the first quarter of the year. There has however been a significant increase in the period to September which means that based on current projections there is now no pressure anticipated.
  - There continues to be pressure around income in respect of the HVE service. The service is being reviewed and opportunities explored for additional work, however, there is a likely pressure of £221,000.
  - Car Parking income is now expected to be £120,000 lower than anticipated due to a combination of PCN's and parking fee income being lower than anticipated across the Borough.
14. There are a number of areas across the service group where savings are being generated which should offset this pressure, the main ones being:
  - The Catering Service will increase income by approximately £90,000 following an increase in take up of school meals.
  - The Registration and Bereavement Service will generate savings of £74,000 through vacant posts and income is in line to exceed target by £50,000.

- Again there are a range of reviews planned and underway and there are savings being made in advance of the MTFP requirement which are supporting the service position.

## **BIG TICKET**

### Childrens Services

14. Members will be aware from the regular Cabinet updates of increasing numbers of Looked After Children and the financial pressures this creates. The two key areas are External Placements and Independent Foster Care provision.
15. The number of External Placements have continued to increase since the last reported position in June. There are now 40 young people placed out of the Borough compared to 36 in June and 33 at the time the budget was set in February 2013. The impact of this is that there is now an estimated overspend of £1.2m which can be partly offset by £200,000 savings in running costs of the Councils who have residential care homes.
16. The number of children in Independent Foster Care have also continued to rise. There are now 118 young people compared to 114 in June and 98 at the time of setting the budget. Again this is creating significant financial pressures and the overspend in this area is now anticipated to be £1.0m. There are savings associated with adoption costs in the current financial year of £200,000 through the application of grant income which slightly reduces this pressure.
17. Members will be aware of the activity surrounding the Big Ticket Reviews, most notably the Joint Venture Partnership with Spark of Genius to assist with the pressures around external placements. Although work is progressing well with the school renovation completed, there have been delays in acquiring properties which will slightly delay the delivery of the business case savings. Once the Partnership is operational, it is estimated that this will save £400,000 per year.
18. A workstream is also planned to assess options and opportunities for increasing numbers of in-house Foster Care Support and reducing reliance upon the independent sector which would also reduce costs.
19. Savings have also been identified within the Short Breaks budget of £125,000 meaning that call on the growth provision for the Childrens area is £2m for the current financial year.
20. Following preparation and evaluation of a business case led by the Schools ICT Service, a staff mutual will be established to deliver these services from 1 April 2014.

### Adult Services

21. Work is progressing well on various aspects of the Adult Social Care Big Ticket reviews. There are a number of savings already being delivered and details are provided below along with progress on a number of areas and also some pressures being encountered in the service. The overall variance area is still estimated to be an in-year underspend of approximately £900,000.
22. Members will be aware of recent trends towards personalisation and the take up of individual client budgets. This trend has continued and due to the increased number of clients, there is an estimated overspend on these budget areas is now expected to be £500,000.
23. Costs of residential care from elderly and mental health clients are expected to exceed the budget by £100,000.

24. There are however, a number of savings which offset these additional costs, many of which are linked to reviews undertaken and ongoing as part of the Big Ticket Programme.

- There is a significant level of progress in implementing the findings of the Learning Disability review:
  - Staff consultation exercises have been completed in respect of reconfiguration of residential services at Lanark Close and Oak Road. Oak Road will become an independent living unit and the capacity at Lanark Close will be increased from six to nine.
  - Reviews of external residential placements are ongoing to consider opportunities to move clients to independent supported living accommodation. A bid for funding to develop the former Blenheim site has been successful and accommodation will be built to support this priority. Negotiations have also been undertaken with some providers to reduce fee levels.
  - A pilot Community Bridge Building Scheme for learning disability clients was a success and will now be rolled out further. This has provided clients with access to community activities, work placements, volunteering, etc., as an alternative to traditional day services.

The savings associated with this review in the current financial year is £550,000.

- There is an overall increase in client numbers and cost which means that given some of the clients will contribute to the costs, there is also an increase in income. There has also been proactive work around implementation of charging policies and overall this is expected to generate £390,000.
- The Mental Health EIT review has now been approved by cabinet and savings in advance of implementation through operating with vacant posts etc. is expected to save £320,000. The implementation of the recommendations is now underway.
- The number of clients supported by the in house homecare service has reduced allowing savings of £300,000.
- Work is continuing on the 'Enabling' workstream of the review. This will focus on reviewing working practices to consider opportunities for transforming the delivery of the service. It will focus on:
  - Pathways and Prevention
  - Information Management Systems
  - Commissioning
  - E-Market Place

The use of personal budgets will feature prominently across these areas.

The overall saving for the Adult area which is a combination of the savings and pressures above is £900,000.

### Energy and Waste

25. There are no changes in the position since the report in June. Work is continuing to estimate future energy and waste costs and consider ways of cost reduction. A significant Invest to Save proposal in this area was agreed by Cabinet in October and is discussed later in the

report.

### Bit Ticket Summary

26. The overall call on the £1.8m growth provision for this year is expected to be £1.1m. Work is ongoing to assess the full year effect of the new clients within these areas, the savings delivered and savings planned. The level of growth provision and savings associated with the reviews will then be re-assessed over the MTFP and this will be incorporated into the budget report in February 2014.

### **General Fund Balances**

27. There are no changes to the expected level of General Fund balances since the report to Cabinet in September and as such these are still £1.7m above the 3% recommended level.

28. Members will also be aware of the savings programme approved by Council in June 2013. This identified that savings of £1.95m would be generated in 2013/14, of which £1.275m was approved as utilisation of one off resources. A report to Council in November also approved utilisation of £140,000 to fund car parking in Billingham Town Centre which facilitates the development of the Supporting Housing facility. These means that there is still £535,000 unallocated from this saving and available as one off resources.

### **UPDATE OF THE MEDIUM TERM FINANCIAL PLAN 2014/15 to 2017/8**

29. Members will be aware from briefings that there have been further announcements resulting in further reductions in Government Funding to Councils. The announcements were in the form of the Spending Round in June and also a technical consultation paper issued in July. The technical consultation document in particular identified significant financial implications and these are summarised below.

|   | 2014/15       | 2015/16       | 2016/17       | 2017/18      |
|---|---------------|---------------|---------------|--------------|
|   | £'000         | £'000         | £'000         | £'000        |
| <b>Budget Gap after savings programme</b>                         | <b>-5,455</b> | <b>-1,530</b> | <b>1,161</b>  | <b>708</b>   |
| Budget 2013 1% Reduction 14/15                                    | 911           |               |               |              |
| <b>Spending Round 2013 Announcements Impact - Core Funding</b>    |               |               |               |              |
| Spending Review 15/16   |               | 6,954         | 6,954         | 6,954        |
| New Homes Bonus paid to LEP                                       |               | 1,213         | 1,200         | 1,114        |
| Academy conversion/ESG reduction pressure                         | 900           | 900           | 900           | 900          |
| <b>Revised Budget Gap After 2013 Spending Round Announcements</b> | <b>-3,644</b> | <b>7,537</b>  | <b>10,215</b> | <b>9,676</b> |

### Core Funding

30. The Comprehensive Spending Round in June indicated a National reduction of 10% in LG Spend (real terms) but in cash terms 8.3%. This is a combination of retained business rates and revenue support grant.

31. Consultation documents issued on 31 July now indicate that the reduction in Local Government spending is higher overall by £1bn so the overall cash reduction is actually 13.1%. There was no indication that this would be forthcoming and the indications are that this is being used to fund an additional contribution to the National New Homes Bonus as well as using £800m to fund what had been outlined in the Spending Round as additional funding for social care new burdens (Dilnot), Independent Living Fund, Collaboration and Efficiency fund and monies for troubled families.

32. The Government have published indicative allocations for each Authority for 2014/15 and 2015/16 and the reduction for Stockton is actually 14.8%. The reason why this is higher than the National average will be due to way in which the reductions have been distributed across the country.

#### New Homes Bonus

33. In addition to the reference above, the Comprehensive Spending Round outlined that £400m per year would be utilised from New Homes Bonus to contribute to the Local Growth Fund's to be operated through the Local Enterprise Partnerships.

34. The consultation documents outline that the mechanisms for this. New Homes Bonus will continue to be paid to Local Authorities. Local Authorities will then pay proportion to LEP's (35%) to contribute to the Growth Fund. Based on the current New Homes Bonus received, this will be £1.2m per year.

#### Education Services Grant

35. There is a reduction in Education Services Grant of 25% which will be an impact of £900,000. This is also now paid direct to Academies and the actual payment to Stockton will be dependant upon Academy conversions.

#### Update on MTFP

36. Members will recall that there were many changes affecting Local Government Finance which were incorporated into the 2013/14 budget report approved by Council in February 2013. A number of the changes were technical and there were significant changes to policy which were extremely complicated and are outlined below:

- a. Introduction changes to core funding through the changes to the local retention of elements of Business Rates
- b. Localisation of Council Tax Support Scheme.
- c. Changes to the Council Tax discount policy.

37. The medium term financial plan included a range of assumptions and estimates covering these areas and these have now been reviewed. . There are also a number of other changes which can or need to be incorporated and are proposed and these are outlined below.

38. The Council Tax collection rate, taxbase and level of income was affected by the localisation of Council Tax support and the changes to discounts for empty homes. Assumptions and estimates were made for collection levels and this is being reviewed on an ongoing basis. Current indications are that overall, although the collection rate is lower than in previous years, the income is projected to be higher than that anticipated at the time the budget was set. This is due to a prudent estimate of impact of the changes to the discount scheme and the contingency for growth in benefit claimants not all being required. This will mean that the income projections can increase by approximately £1m per year as well as there being an expected surplus at the end of 2013/14 of £3m which can be released as one off resource.

39. Members will recall that 2013/14 was the first year of the new scheme which introduced the retention by Local Authorities of an element of business rates. This was a complicated process and there was a lack of clarity around the business rate figures to be used in the Start Up Funding Assessment calculation. In line with Stockton's approach, a prudent assessment was made and we have now reviewed the position and the actual starting position was approximately £900,000 higher than the estimate. There was also a lack of clarity around the funding of the small business rate relief and we did not therefore assume any income to offset the costs to the Council and it has subsequently been clarified that this will be funded through

Government Grant and we have now assumed that this will continue. Overall this will increase the business rate income by approximately £1.5m per year in the MTFP on an ongoing basis with the surplus for 2013/14 being available as a one off resource. Members will also be aware that the Council will benefit by retaining 50% of any growth (excluding inflationary increase) and Officers are continuing to assess the level of potential financial benefit. It should be noted however that there are risks of reduced levels of business rates income which will offset this growth such as schools converting to Academies. The current indications are that there is little overall growth.

40. Regulations have changed regarding the costs of National Insurance associated with pension contributions. Previously, Authorities paid a reduced rate of NI in respect of employees in the pension scheme. This will be abolished from 2016/17 and this will cost the Council approximately £1.2m per year.
41. The government announced a further restriction on public sector pay for 2015/16 of a 1% increase. Whilst it is recognised that Local Government is subject to a separate negotiating arrangement, if this were adopted, there would be a saving of £750,000 per year.
42. Members will be aware from previous budget reports that there was agreement to reduce the contributions to the Insurance fund by £1.9m per year for a number of years. The longer term position was subject to both a tender of the insurance contract and an actuarial review. The former has now been completed and the latter is currently ongoing and the indications are that this will mean that a further £1.9m can be incorporated into the MTFP on an ongoing basis. The level of the fund required can also be reduced to £16m which will mean that approximately £7m can be released from the fund. This will be available as one-off resources, however, the Council also have a loan which is due for renewal in December 2014 which is a similar value. If the loan was not renewed and effectively the Council's debt reduced by this amount it would save the Council £725,000 per year on an ongoing basis. Given the need to generate ongoing revenue savings, it is suggested that this would be the recommended approach.
43. The Council have been receiving approximately £3m per year from Health Authority budgets to support social care and reablement, and this was included in the MTFP up until 2014/15. The recent Government announcement of a £3.8bn National allocation to support social care indicates that this will continue to some degree. There is still uncertainty how this will operate but some key issues are:
  - a. This is not new money, it is top sliced from Clinical Commissioning Group Budgets
  - b. The allocations and spending plans need to be agreed with both CCG and also Health and Wellbeing Board although there does seem to be an indication that this can support current Social care provision.
  - c. An element of the funding is paid by results.

Whilst it is unclear as to the level of resource, it is likely that we will receive an allocation of at least the current £3m and this can therefore be incorporated into the plan on an ongoing basis.

44. The level of funding reductions for 2016/17 and 2017/18 will not be known until after the general election in 2015. In line with the prudent approach, and in line with the current MTFP, we have estimated a reduction of 12% cash allocation per year and this is reflected in the updated position.
45. The projected position based on the assumptions above is shown below:



|   | 2014/15<br>£'000 | 2015/16<br>£'000 | 2016/17<br>£'000 | 2017/18<br>£'000 |
|---|------------------|------------------|------------------|------------------|
| <b>Revised Budget Gap After 2013 Spending Round Announcements</b> | <b>-3,644</b>    | <b>7,537</b>     | <b>10,215</b>    | <b>9,676</b>     |
| Single Tier Pension   |                  |                  | 1,200            | 1,200            |
| Council Tax Base / Collection                                     | -742             | -816             | -889             | -1,069           |
| New Homes Bonus - updated with taxbase                            | -185             | -181             | -261             | -407             |
| NNDR Increases  | -1,450           | -1,500           | -1,550           | -1,600           |
| Pay Award 1% Cap 2015-16  | -35              | -780             | -780             | -750             |
| Surplus Insurance Fund Contributions                              | -1,900           | -1,900           | -1,900           | -1,900           |
| Review of Insurance Fund - Loan repayment                         | -180             | -725             | -725             | -725             |
| Continuation of Health contribution to Social Care                |                  | -3,000           | -3,000           | -3,000           |
| Estimated SUFA Reduction - 12% per year                           |                  |                  | 4,065            | 10,834           |
| <b>Revised Core Budget Gap</b>                                    | <b>-8,136</b>    | <b>-1,364</b>    | <b>6,375</b>     | <b>12,259</b>    |

46. Paragraph 27 outlines the impact of the technical consultation. The Council, along with ANEC have suggested an alternative approach for allocating the funding reductions to Councils which we believe reflects fairer Council's spending power. If this was accepted and the methodology changed, the impact on the Council would be approximately £4m per year lower than the published figures and would reduce the budget gap.
47. There are changes proposed in relation to Social Care and charging arrangements which are likely to have significant financial implications for the Council.
48. There is still significant uncertainty over the longer term financial position and there are indications that the financial restrictions and pressures will continue beyond 2017/18. The average reduction per year has been 10% and if this were to continue, by 2020 there would be an additional pressure of £15m.

## COUNCIL TAX

49. The position outlined above assumes a Council Tax increase of 1.9%. Again, the DCLG have indicated that there will be a grant payable to Council's who freeze Council Tax in 2014/15 and this will be paid for 2 years at the equivalent of 1%. If members decided to implement the freeze and accept the grant, this would mean an additional pressure of £650,000 in 2014/15 rising to £1.4m by 2017/18 as outlined below:

|   | 2014/15<br>£'000 | 2015/16<br>£'000 | 2016/17<br>£'000 | 2017/18<br>£'000 |
|---|------------------|------------------|------------------|------------------|
| <b>Council Tax for the year<br/>(Based on 2% increase per year)</b> | 66,914           | 68,246           | 69,604           | 70,989           |
| <b>Impact of Freeze Funding</b>                                     |                  |                  |                  |                  |
| Opening Council Tax Income  | 65,608           | 65,608           | 66,914           | 68,246           |
| Increase (@2% - from 2015/16)                                       | 0                | 1,306            | 1,332            | 1,358            |
| Freeze Grant  | 656              | 656              |                  |                  |
| <b>Funding for the Year</b>   | <b>66,264</b>    | <b>67,570</b>    | <b>68,246</b>    | <b>69,604</b>    |
| <b>Pressure on MTFP</b>   | <b>650</b>       | <b>676</b>       | <b>1,358</b>     | <b>1,385</b>     |

## CAPITAL

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

| <b>CAPITAL PROGRAMME 2012-2018</b>          | <b>Current Approved Programme</b> | <b>Programme Revisions</b> | <b>Revised Programme</b> |
|---|-----------------------------------|----------------------------|--------------------------|
|   | £'000                             | £'000                      | £'000                    |
| Schools Capital                             | 37,384                            | (498)                      | 36,886                   |
| Housing Regeneration & Town Centres Schemes | 51,210                            |                            | 51,380                   |
| Transportation                              | 13,221                            | 72                         | 13,293                   |
| Other Schemes                               | 15,211                            | 503                        | 15,714                   |
| <b>Total Approved Capital MTFP</b>          | <b>117,026</b>                    | <b>247</b>                 | <b>117,273</b>           |

The main changes to the programme are as follows:

- Due to a number of planned maintenance schemes in schools now being delivered as part of wider schemes under the school investment programme, savings of £250,000 have been achieved on these schemes.
- The scheme at Barleyfields Primary which will increase the school to three form entry is now nearing completion. Due to favourable tenders being received, a saving of £330,000 can now be reported. This will increase capital resources available for reinvestment in Schools.
- The scheme to support car parking in Billingham Town Centre linked to Supported Housing Development has been added.
- A scheme to create new cycleways and improve school access around the Hartburn area for £195,000 following successful grant application..
- A scheme to allow access to a housing site on Yarm Road (former Visqueen site) has now been delivered resulting in a saving of £113,000, which is funded by the housing developer.
- The Asset Review report, approved by Cabinet in May, updated Members on the proposals for delivery of the Library Strategy. The report identified the need for some investment in facilities which would support the delivery of savings and the schemes have now been incorporated into the plan.

## **ONE OFF RESOURCES**

51. As part of the budget process, reserves and balances will be reviewed and Members will be asked to consider the 'one off' monies available and how they are to be utilised. In preparation for the budget, the position is being reviewed and the current position is outlined below.
52. Paragraph 25 identifies that there are currently £1.7m available in revenue balances.
53. The Council has been holding a reserve to cover litigation costs. The risks and potential liabilities surrounding this area have been reviewed, and it is considered that this can be reduced to £3m releasing £3.7m.
54. Since the budget was set in February 2013, we have generated capital receipts of £600,000.
55. Paragraphs 36 and 37 outline the potential to release resource from the Business Rates and Council Tax Collection Fund which will mean there is £3m and £1.5m respectively available in 2013/14.
56. One of the changes in 2013/14 was the 'top slice' of grant previously paid to support schools (LACSEG). This is now repaid to Local Authorities based on the number of pupils and is linked to Academy conversions and this was not included in the budget.
57. Members will also be aware that the Council has an investment reserve which currently stands at £4m and the Council is continuing to explore opportunities to invest and generate a return to support the revenue position moving forward. It was previously agreed to utilise £1m to support the National Local Authority Mortgage Scheme. Despite attempting to progress this

Scheme, the Bankers involved have now withdrawn this Scheme to support the new National Scheme backed by Government. The £1m will therefore no longer be required and £5m is available. A decision was taken under the urgency route to support a consortium bid to deliver probation services and this required funding of £2m.

The overall resources available are therefore:

|   | <b>2014/15</b> |
|---|----------------|
| <b>Per September Budgetary Control Position</b> |                |
| General Fund Balances                           | 1,700          |
| 2013 Savings Unallocated                        | 535            |
| Capital Receipts                                | 600            |
| Collection Fund surplus                         | 3,000          |
| NNDR Collection Fund Surplus                    | 1,500          |
| LACSEG Grant refunded                           | 500            |
| Litigation Reserve                              | 3,700          |
| Investment Reserve                              | 3,000          |
|   | <u>14,535</u>  |

58. Members will be aware of the work ongoing around Big Ticket areas and the proposal to invest in Street Lighting to generate revenue savings. Investment of £14m will generate savings of approximately £1.7m per year and this saving of which £1m relates to the big ticket budgets and £700,000 to the remainder of the MTFP. It will therefore be recommended as part of the budget report that this resource be allocated for this purpose.

#### **TIMELINE**

59. The Chancellors Autumn Statement is planned for 5 December with the Local Government Finance Settlement, which is expected to reflect any changes following the consultation exercise, soon after. The assumptions in the current MTFP will be updated accordingly.

60. The final budget report will be reported to Cabinet on 20 February 2014 and presented to Council on 26 February 2014. Member briefing sessions will be arranged in advance of the presentation of the report.

#### **FINANCIAL IMPLICATIONS**

61. To update the MTFP.

#### **LEGAL IMPLICATIONS**

62. None

#### **RISK ASSESSMENT**

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

#### **EQUALITIES IMPACT ASSESSMENT**

64. Not applicable

#### **CORPORATE PARENTING**

65. Not applicable

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

66. Not applicable.

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## Appendix A

| <b>CAPITAL PROGRAMME 2012-2018</b>                     | <b>Current Approved Programme</b> | <b>Programme Revisions</b> | <b>Revised Programme</b> | <b>Expenditure April 2012 - Sept 2013</b> |
|--|-----------------------------------|----------------------------|--------------------------|---|
| <b>SCHOOL CAPITAL</b>                                  |                                   |                            |                          |   |
| School Investment Programme                            | 16,251,442                        | (497,836)                  | 15,753,606               | 5,497,696                                 |
| Academies  | 21,132,660                        | 0                          | 21,132,660               | 20,273,472                                |
| <b>SCHOOLS CAPITAL</b>                                 | <b>37,384,102</b>                 | <b>(497,836)</b>           | <b>36,886,266</b>        | <b>25,771,168</b>                         |
| <b>HOUSING REGENERATION &amp; TOWN CENTRES SCHEMES</b> |                                   |                            |                          |   |
| Housing Regeneration                                   | 12,866,411                        | 0                          | 12,866,411               | 5,757,623                                 |
| Stockton Town Centre Schemes                           | 33,014,615                        | 0                          | 33,014,615               | 13,674,060                                |
| Billingham Town Centre Schemes                         | 5,328,816                         | 170,000                    | 5,498,816                | 1,544,135                                 |
| <b>HOUSING REGENERATION &amp; TOWN CENTRES SCHEMES</b> | <b>51,209,842</b>                 | <b>170,000</b>             | <b>51,379,842</b>        | <b>20,975,817</b>                         |
| <b>TRANSPORTATION</b>                                  |                                   |                            |                          |   |
| Local Transport Plans                                  | 7,301,427                         | 184,500                    | 7,485,927                | 1,238,959                                 |
| Other Transport Schemes                                | 1,596,735                         | 0                          | 1,596,735                | 913,458                                   |
| Developer Agreements                                   | 2,865,827                         | (112,604)                  | 2,753,223                | 1,050,071                                 |
| Tees Valley Bus Network Initiative                     | 1,457,453                         | 0                          | 1,457,453                | 372,635                                   |
| <b>TRANSPORTATION</b>                                  | <b>13,221,442</b>                 | <b>71,896</b>              | <b>13,293,338</b>        | <b>3,575,122</b>                          |
| <b>OTHER SCHEMES</b>                                   |                                   |                            |                          |   |
| Private Sector Housing                                 | 2,970,110                         | 0                          | 2,970,110                | 754,975                                   |
| Building Management & Asset Review                     | 1,598,490                         | 468,000                    | 2,066,490                | 148,604                                   |
| ICT & Infrastructure                                   | 700,764                           | 0                          | 700,764                  | 125,491                                   |
| Parks, Museums & Cemeteries                            | 2,911,533                         | 0                          | 2,911,533                | 1,800,925                                 |
| Energy Efficiency Schemes                              | 889,480                           | 0                          | 889,480                  | 867,868                                   |
| Other CESC Schemes                                     | 4,543,222                         | 35,000                     | 4,578,222                | 826,529                                   |
| Other Schemes  | 1,596,901                         | 0                          | 1,596,901                | 178,719                                   |
| <b>OTHER SCHEMES</b>                                   | <b>15,210,500</b>                 | <b>503,000</b>             | <b>15,713,500</b>        | <b>4,703,111</b>                          |
|  |                                   |                            |                          |   |
| <b>Total Approved Capital MTFP</b>                     | <b>117,025,886</b>                | <b>247,060</b>             | <b>117,272,946</b>       | <b>55,025,219</b>                         |