

AGENDA ITEM

REPORT TO EXECUTIVE SCRUTINY COMMITTEE

28 JULY 2015

REPORT OF CORPORATE MANAGEMENT TEAM

MEDIUM TERM FINANCIAL PLAN OUTTURN - MARCH 2015

SUMMARY

This report focuses on the financial performance and position at the end of the 2014/15 financial year and updates the Medium Term Financial Plan as at 31 March 2015.

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. Members note the position regarding the Business Rates (NNDR) and Council Tax Collection Funds and the position on Business Rates appeals.

DETAIL

FINANCIAL POSITION AS AT 31 MARCH 2015

GENERAL FUND – NON-BIG TICKET

1. The following table details the current MTFP position of each service. Officers have continued to be mindful of the financial pressures and have been continuing to monitor expenditure closely in all areas. In line with the updated approach to the Big Ticket areas, these budgets are not included in the figures below and are covered separately later in this report.

Service Reserves (MS)/MC	Previously reported position at 31/3/15 (MS) / MC's £'000's	Outturn position at 31/3/15 (MS) / MC's £'000's	Projected Outturn position at 31/3/16 (MS) / MC's £'000's	Projected Outturn position at 31/3/17 (MS) / MC's £'000's
CESC	(2,172)	(2,684)	(1,761)	(1,087)
D & NS	(537)	(676)	0	0
RESOURCES	(925)	(962)	(426)	(328)
LAW & DEMOCRACY	(156)	(192)	(192)	(192)
PUBLIC HEALTH	0	(145)	0	0
TOTAL	(3,790)	(4,659)	(2,379)	(1,607)

Children, Education and Social Care

2. Members will note that the overall position for CESC (Non Big Ticket) has improved by £512,000 since the last report. A total of £319,000 was saved in the Education, Early Years and Complex Needs Service, largely through delays in filling vacant posts in advance of the major review of this service that was implemented in April 2015. Vacant posts and additional income from Health led to a saving of £55,000 in Adult Operations, with additional income also contributing to a saving of £67,000 for the Adult Strategy Service.

Development & Neighbourhood Services

3. The position for DANS (Non Big Ticket) at the financial year end has improved overall by £139,000 due to a combination of variances against budget.

Resources

4. The position for Resources is broadly in line with the previous projection.

Law and Democracy

5. The position for Law and Democracy is broadly in line with the previous projection.

Public Health (Environmental Health and Trading Standards)

6. Following an earlier service review, responsibility for Environmental Health and Trading Standards Services has transferred to the Director of Public Health. A managed surplus of £145,000 has been generated in 2014/15, largely due to staff vacancies.

BIG TICKET AREAS

7. The Medium Term Financial Plan in 2013 agreed the strategy that the Big Ticket Reviews would aim to stem the future financial pressures in the areas of Adult Social Care, Children's Social Care and Energy and Waste through reducing costs where possible and by stemming growth through examining alternative means of delivery.
8. A summary of the outturn position for each Big Ticket area is set out below:

Adult Social Care

The estimated position at the end of December 2014, which was reported to members as part of the Budget Report in February 2015, was a saving of £353,000 with the estimated growth provision of £800,000 not being required. The final position for the 2014/15 financial year was a saving of £522,000, representing an improvement of £169,000. As forecast in the February report, the growth provision of £800,000 was not required.

Children's Social Care

The estimated year end position, reported at the end of December 2014, was a small overspend of £29,000. The actual outturn position was broadly static at £24,000.

Energy and Waste

Additional expenditure was incurred on the waste contract due to an increase in the tonnage of waste disposed throughout the year. Also an additional maintenance shutdown occurred in January at the incinerator which increased disposal costs. Savings on

electricity costs through the Street Lighting replacement scheme are now materialising, although timing issues have meant that the full predicted savings were not achieved.

In combination the impact was to increase the overspending on the Energy & Waste Big Ticket areas by £228,000 as at 31 March 2015.

Summary - Big Ticket Areas

The report to members in February 2015 estimated that we would require £236,000 to be retained to fund additional growth in 2014/15, meaning that a sum of £844,000 was expected to be carried forward for use in supporting the 2015/16 Budget. The actual call on the provision at the financial year end was £290,000 meaning that a sum of £790,000 will now be carried forward, a reduction of £54,000, which will represent a call on balances.

General Fund Balances

9. At the time that the 2015/16 budget was set it was expected that a sum of £1,675,000 would be required to replenish balances to the 3% level in respect of resources allocated to fund urgent works to Newport Bridge. The position at outturn has improved by £453,000 largely due to payments received with respect to backdated Landfill Allowance Trading Scheme (LATS) income. After taking account of the additional call on balances of £54,000 highlighted above, a sum of £399,000 is now available in one-off resources.

Council Tax and National Non-Domestic Rates (Business Rates)

NNDR Appeals Provision

10. As reported to members previously, the impact of appeals against the Valuation List presents a significant area of financial volatility and risk to the Council. This can be clearly demonstrated by the fact that 340 appeals were lodged with the Valuation Office Agency (VOA) in the final quarter of 2014/15, with 300 in March alone. This March figure represents a more than ten-fold increase compared with averages in previous months. This substantial increase in appeals is a cause for concern, particularly as the Council needs to assess the likelihood of success of those appeals and to make a provision in the NNDR Collection Fund to cover the potential losses. In many cases the potential backdated losses go back as far as 2010 and in some cases to 2005.

NNDR Collection Fund Outturn

11. An increase in the appeals provision has been actioned, using intelligence from a specialist NNDR software provider. The impact is that the NNDR Collection Fund will be in deficit by £3.67m at 31st March 2015. Stockton's share of this deficit amounts to £1.799m, with the ongoing impact of the deficit considered in the Budget Update report on this agenda.

Potential move of Virgin Media property to the Central Rating List (NNDR)

12. We have recently been advised that an appeal by Virgin Media has been lodged with the Valuation Office Agency (VOA), with the appellants intention that it ultimately be moved to the central rating list. This is potentially a very significant issue for the Local Authority as the backdated elements could amount to a loss in Rateable Value (RV) of £4.5m up to 31 March 2015, an impact of £2.3m for SBC. The ongoing impact to SBC would be a loss in income annually of c£0.450m.

This issue is of national significance as over 60 local authorities are potentially affected.

The Council has taken opportunities to raise this issue with the Valuation Office Agency, MP's, DCLG and in response to a recent consultation exercise we suggested that the system is broken and in need of reform.

Council Tax – Collection Fund Outturn

13. A small additional surplus amounting to £80,000 arose on the Council Tax Collection Fund. The share attributable to SBC is £67,000.

Capital

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

Capital Programme 2012-2018	Current Approved Programme £'000	Programme Revisions £'000	Revised Programme £'000	Completed Schemes 2014/15 £'000	Variances (Completed Schemes) £'000	Revised Programme £'000
Schools Capital Housing Regeneration & Town Centres Schemes	48,928	3,594	52,523	(34,909)	(17)	17,597
Transportation	60,512	174	60,687	(33,057)	122	27,751
Other Schemes	30,631	727	31,358	(5,017)	(213)	26,128
Total Approved Capital MTFP	43,677	3,070	46,747	(5,906)	1	40,842
	183,748	7,565	191,315	(78,889)	(107)	112,318

15. Members will note that the programme has been updated to reflect the approvals within the 2015/16 Budget Report and to reflect changes to the programme resulting from the sourcing of external funding. The changes are summarised in **Appendix B**.
16. The Programme has also been updated to reflect schemes which have completed in 2014/15 and these changes are summarised in **Appendix C**.

FINANCIAL IMPLICATIONS

17. To summarise the outturn position for 2014/15 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.

EQUALITIES IMPACT ASSESSMENT

20. Not applicable

CORPORATE PARENTING

21. Not applicable

CONSULTATION INCLUDING WARD/COUNCILLORS

22. Not applicable.

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APPENDIX A

CAPITAL PROGRAMME 2012-2018	Current Approved Programme	Programme Revisions	Revised Programme	Completed Schemes 2014/15	Variances (Completed Schemes)	Revised Programme
SCHOOL CAPITAL						
School Investment Programme	28,195,675	3,594,497	31,790,172	(14,176,423)	(16,818)	17,596,931
Academies	20,732,631	0	20,732,631	(20,732,631)	0	0
SCHOOLS CAPITAL	48,928,306	3,594,497	52,522,803	(34,909,053)	(16,818)	17,596,931
HOUSING REGENERATION & TOWN CENTRES SCHEMES						
Housing Regeneration	10,865,402	0	10,865,402	0	0	10,865,402
Stockton Town Centre Schemes	36,508,562	12,564	36,521,126	(28,398,477)	21,618	8,144,267
Billingham Town Centre Schemes	5,286,300	10,945	5,297,245	(3,369,527)	(15,273)	1,912,445
Yarm Town Centre Schemes	1,173,927	0	1,173,927	(1,289,200)	115,273	(0)
Other Regeneration Schemes	6,678,008	150,822	6,828,830	0	0	6,828,830
HOUSING REGENERATION & TOWN CENTRES SCHEMES	60,512,199	174,331	60,686,530	(33,057,204)	121,618	27,750,944
TRANSPORTATION						
Local Transport Plans	14,910,289	(421,097)	14,489,192	(2,940,712)	23,864	11,572,344
Other Transport Schemes	11,007,347	332,809	11,340,156	(1,709,433)	(229,893)	9,400,830
Developer Agreements	3,123,629	743,408	3,867,037	(366,647)	(6,487)	3,493,903
Tees Valley Bus Network Initiative	1,589,615	71,755	1,661,370	0	0	1,661,370
TRANSPORTATION	30,630,880	726,875	31,357,755	(5,016,792)	(212,516)	26,128,447
OTHER SCHEMES						
Private Sector Housing	3,433,715	199,925	3,633,640	(1,189,579)	0	2,444,061
Building Management & Asset Review	4,236,000	518,877	4,754,877	(1,696,607)	(20,040)	3,038,230
ICT & Infrastructure	561,515	13,700	575,215	(69,419)	(10,582)	495,214
Parks, Museums & Cemeteries	3,838,516	414,663	4,253,179	(899,100)	0	3,354,079
Energy Efficiency Schemes	13,729,480	400,000	14,129,480	(880,871)	(8,609)	13,240,000
Other CESC Schemes	5,033,476	98,204	5,131,680	(150,857)	40,227	5,021,050
Other Schemes	12,844,196	1,424,877	14,269,073	(1,019,594)	0	13,249,479
OTHER SCHEMES	43,676,899	3,070,246	46,747,145	(5,906,027)	996	40,842,114
Total Approved Capital MTFP	183,748,284	7,565,949	191,314,233	(78,889,087)	(106,720)	112,318,436

Programme Revisions

Schools Investment Programme

- The Department for Education announced grant funding for 2015/16 for the Schools Maintenance Programme £1,675,000. In addition, £595,000 has been secured from schools delegated budgets which has been added to the programme for future years.
- Basic Need grant announcement from Department for Education 2017/18 added to the programme £1,353,000.

Housing Regeneration & Town Centre Schemes

- The budget for Northshore Innovation Centre has been increased by £151,000 due to revised build specification funded by European Regional Development Funding, Teesside University and one-off resources previously approved by Council.

Transportation

- £400,000 contribution from Highways Maintenance LTP towards the major Street Lighting Investment Scheme.
- The highways scheme at Myton Way/Ingleby Way has been moved from the 'Developer Agreements' line (£174,000) into 'Other Transport Schemes' £174,000, as this has become a larger scheme and will be added into the programme when the funding is secured. In addition £140,000 has been incurred on enabling works in 2014/15.
- A new scheme has been added to the programme, highways access works for a new housing development at Morley Carr funded by the Housing Developer £855,000.
- Additional costs have been incurred on highways improvements, including Tees Valley Bus Network Initiative, funded by Private Developers £135,000.

Other schemes

- An additional £200,000 has been received from the Clinical Commissioning Group for disabled adaptations to homes.
- The capital element of the building maintenance programme for 2015/16 has been added to the capital MTFP £330,000.
- Improvements to 70 Norton Road for the relocation of the Looked after Children's Service £155,000.
- Funding has been secured for Rosthwaite Avenue multi use games area from Big Local and a Private Developer £191,000.
- £150,000 has been identified from DNS managed surplus to fund the development of a woodland burial site at Thornaby Cemetery.
- £400,000 contribution to the major Street Lighting investment Scheme from Highways Maintenance LTP as above.
- £150,000 has been allocated from the Community Capacity Grant to fund ICT improvements to support the implementation of the Better Care Fund.
- The planned investment in vehicles has been increased by £1,424,000 for 2015/16.

Completed Schemes 2014/15Schools Capital

- Planned Maintenance Schemes on a range of schools have been delivered in 2014/15 (£1,900,000).
- Several major school investments schemes have completed during the year (£10,700,000). Due to favourable tenders being received, £290,000 has been saved on these schemes; this has been added into the unallocated basic need capital funding.
- 16 – 19 Provision (£1,600,000) and Northshore & Thornaby Academies (£20,700,000) schemes are now complete and have been removed from the programme.

Housing Regeneration & Town Centre Schemes

- Phases of Stockton Town Centre regeneration are now complete and have been removed from the programme (£28,400,000).
- Within Billingham Town Centre, the following schemes are now complete – Billingham Library & Contact Facility (£2,800,000), Billingham Extra Care Scheme Car Park (£400,000) and Extension of Gym at Billingham Forum (£150,000).
- The car parking and public realm improvements in Yarm Town Centre are now complete (£1,300,000). There was an additional cost of £115,000 due to increased lease costs and additional unforeseen costs arising from poor ground conditions.

Transportation

- £2,900,000 has been spent delivering schemes as part of the Local Transport Plan programme.
- Highways Improvements to Talbot Street and Teesdale Improvements are now complete, (£800,000) as well as a number of highways improvements schemes funded by private developers (£370,000).
- Thornaby Station Footbridge Replacement scheme now complete (£900,000) and due to value engineering a saving of £220,000 has been achieved. This will be used for future maintenance of the bridge.

Other schemes

- £1,200,000 has been spent on Disabled Adaptations in privately owned homes and as contributions into the Regional Loans Schemes managed by Five Lamps.
- A number of planned maintenance schemes have been delivered across a range of Council Buildings (£300,000).
- A number of demolitions of Council buildings identified as part of the Asset Review are now complete (£1,400,000).
- The delivery of improvements in a number of parks and cemeteries are now complete and has been removed from the programme (£900,000).
- A programme of photocell replacements and installation of dimmable ballasts in street lighting is now complete (£900,000).
- (£100,000) has been invested in increasing the capacity at the Sunrise Children's Centre.
- Acquisition of vehicles costing (£1,000,000) has been removed from the programme.