

**REPORT TO EXECUTIVE  
SCRUTINY**

**16 DECEMBER 2015**

**REPORT OF  
CORPORATE  
MANAGEMENT TEAM**

**MEDIUM TERM FINANCIAL PLAN UPDATE – SEPTEMBER 2015**

**Summary**

This report is to update Members on the current financial position of the Council as at 30 September 2015.

**RECOMMENDATION**

That the updated Medium Term Financial Plan (MTFP), Capital Programme and current level of General Fund balances be noted.

**DETAIL**

**FINANCIAL POSITION**

1. This report sets out the financial position for the Council as at 30 September 2015. It also provides an update on developments that may have an impact on the Medium Term Financial Plan.

**General Fund – Non Big Ticket**

2. The table below summarises the current MTFP position for each service.

<b>Service Reserves (MS)/MC</b>	<b>Previously reported position at 31/3/16 (MS) / MC's £'000's</b>	<b>Projected Outturn position at 31/3/16 (MS) / MC's £'000's</b>	<b>Projected Outturn position at 31/3/17 (MS) / MC's £'000's</b>	<b>Projected Outturn position at 31/3/18 (MS) / MC's £'000's</b>
CECSC	(1,761)	(1,602)	(928)	(254)
D & NS	0	0	0	0
RESOURCES	(458)	(549)	(386)	(245)
LAW & DEMOCRACY	(198)	(198)	(198)	(198)
PUBLIC HEALTH	(145)	(220)	0	0
<b>TOTAL</b>	<b>(2,562)</b>	<b>(2,569)</b>	<b>(1,512)</b>	<b>(697)</b>

3. The reasons for any significant projected variances are set out below.

### **Children, Education and Social Care – Non Big Ticket**

4. Monitoring of the projected position across Children, Education and Social Care indicates that the position is expected to change from that reported in the first quarter, with a projected reduction in the managed surplus of £159,000. The full costs of the redundancies resulting from the recent restructure are now known and have increased from the previous estimate. There has also been a slight reduction in school income relating to the impact of academy conversions.

### **Development & Neighbourhood Services – Non Big Ticket**

5. There is no projected variation to the overall DANS MTFP position, a similar position to that reported at Quarter 1. However within the overall position a number of projected variations have been identified and these are summarised below:

- Direct Services is expected to underspend by £353,000. Increased income from the School Catering Service will be partly offset by reduced income for the HV&E Service and by pressures on Community Transport.
- Housing and Community Protection Services are projected to overspend by £83,000 largely due to a deficit on Security Services/Care Call.
- Redundancy costs arising from the implementation of the recent DANS Review will be funded within the Service.

### **Resources**

6. A review of the VCSE investment fund is ongoing and as a result the fund remains available and will be carried forward and ringfenced for use for these purpose.

### **Law and Democracy**

7. There are no significant variances projected in respect of Law and Democracy.

### **Public Health (Including Trading Standards/Environmental Health)**

8. The budget for Public Health is ring-fenced to spend in this service area. A report to Cabinet in June 2015 highlighted the potential implications of the announcement by the Government of a reduction to in year Public Health Funding. The results of a national consultation on these in-year funding reductions have recently been announced and identify that Stockton will lose £896,000 in grant funding in 2015/16. This shortfall will be met from unallocated Public Health Grant in the current year. The Government are also consulting on the formula used to determine Public Health funding allocations for 2016/17.

### **General Fund - Big Ticket**

#### Big Ticket - Children

9. The MTFP report presented to members in September reported that In setting the 2015/16 budget a sum of £2,659,000 had been allocated to fund growth in this area in recognition of the transition period prior to delivery of the target savings. Indications at that time were that that only £2,289,000 would be required, so releasing a saving of £370,000. The projections to the end of September 2015 indicate that this position has improved by £40,000 to £410,000.

10. The position will be monitored closely throughout the financial year and the future year implications will be considered as part of the 2016/17 budget process.

#### Big Ticket - Adults

11. The 2015/16 budget established funding for a a level of growth amounting to £800,000, to be offset by a corresponding level of savings. Projections for the first six months of the financial year show that overall the anticipated level of growth has not materialised and that reductions in volume and activity have led to savings. Overall the impact is that a saving of £360,000 is expected over and above the savings target, an improvement from the position in June when a balanced position was anticipated.

12. Across adult services in this year there has been an increase in net spend on community based care support such as direct payments and commissioned homecare, with a reduction in the volume and cost of residential placements. Further detail is set out below. It should be noted that from July the Authority assumed responsibility for clients following the closure of the Independent Living Fund (ILF) with both the additional costs and associated grant income factored into the reported position. There is no certainty of ILF income continuing beyond March 2016.

- Older People and Physical Disability Services – Increased expenditure on direct payment packages and commissioned homecare is partly offset by a reduction in residential placements and increased income from client charges, leading to a net projected overspend of £185,000.
- Lower than budgeted expenditure on Mental Health Services is expected to lead to an underspend of £247,000, largely relating to a reduction in external residential placements.
- A significant increase in volume and cost of direct payment packages and commissioned homecare hours for the Learning Disability Service will lead to additional expenditure of £428,000 reflecting the move to more community based services. This will be more than offset by a reduction in the volume and cost of residential and day services, resulting in an overall underspend of £336,000.
- Savings on contracted Supporting People services are expected to amount to £428,000, partly offset by increased activity and cost for the Telecare Service (£162,000) and on Extra-care schemes (£206,000).
- Increased expenditure on equipment from the Tees Community Equipment Store is expected to amount to £150,000.

13. It has been noted in previous reports that the Service continues to face a number of areas of uncertainty and volatility which may impact on the financial position. These include:

- Care costs and care fees, particularly relating to the level of fees paid for residential care. This remains a significant risk in respect of a future budgetary pressure.
- The Care Act is still in its infancy and public awareness continues to develop. As such the full financial implications are not yet evident. A similar situation applies to the Better Care Fund (BCF) where the detail of the current year funding and expenditure plans is being managed as schemes are implemented in partnership with the Care Commissioning Group (CCG).
- The financial impact of new responsibilities under the DOLS legislation

The impact of these issues will be assessed and addressed in the forthcoming report on the MTFP in January.

## Big Ticket – Energy and Waste

14. The reported pressure of £52,000 for Energy and Waste at the first quarter has increased to £669,000. Shutdown of the Waste Facility for seven weeks and the consequential need to utilise landfill, together with the continued reduction in recycling income has led to a projected overspend of £660,000 on Waste, an increase of £560,000 from the previous projection. In addition, the combined position for Street Lighting and for Utilities indicates that the previously anticipated saving of £48,000 will not be achieved and will be replaced with a small combined pressure of £9,000. The position for future years is under review and will be reported in the forthcoming MTFP Report.

## Big Ticket - Summary

15. The projections show that overall the Big Ticket Reviews are delivering within the allocated growth provision in the MTFP, with a combined saving of £101,000, although this represents a reduced level of saving from that reported previously. The MTFP (Big Ticket) position will be reviewed in detail as part of the update to the MTFP to be presented to Cabinet in January 2016.

## **General Fund Balances**

16. The previous report to Members highlighted that General Fund Balances were at a level £151,000 in excess of the required 3% level.

17. The position has been updated to the 30<sup>th</sup> September and the balance in excess of the 3% requirement has increased by £255,000 to £406,000. This increase is largely due to the receipt of a New Burdens Grant in respect of a legal settlement impacting on Land Charges. A sum had previously been set aside in balances to cover the projected costs of settling the land charge claims and this will no longer be required following receipt of the grant. The updated projected balance of £406,000 is available to be considered as part of the 2016/17 MTFP process.

18. The position with regard to balances will continue to be monitored closely and considered as part of the 2016/17 budget process.

## **CENTRAL GOVERNMENT ANNOUNCEMENTS**

### **Spending Review/Autumn Statement 2015**

19. In July 2015 the Chancellor announced the Spending Review 2015, "A country that lives within its means". The document explained how the government will conduct the Spending Review and announced that it would be published on 25 November 2015.

20. In early October, at the Conservative Party Conference, the Chancellor announced that he would introduce 100% retention of business rates by local authorities alongside the phasing out of core grant and the transfer of new responsibilities to local government. Further details are awaited in the forthcoming Spending Review.

## **CAPITAL**

21. The updated capital programme is summarised in the table below, with further detail available at **Appendix A**.

## **Capital Programme - September 2015**

<b>CAPITAL PROGRAMME 2012-2018</b>	<b>Current Approved Programme £'000</b>	<b>Programme Revisions £'000</b>	<b>Revised Programme £'000</b>
Schools Capital	17,117	- 40	17,077
Housing Regeneration & Town Centres Schemes	27,751	50	27,801
Transportation	29,418	47	29,464
Other Schemes	40,936	501	41,437
<b>Total Approved Capital MTFP</b>	<b>115,222</b>	<b>558</b>	<b>115,779</b>

### Reasons for Movements over £100,000

#### New Schemes

22. The Education Centre demolition and additional works to facilitate staff at the new Education Centre base have commenced; £300,000 has been earmarked from the Education Centre capital receipt to fund these costs.
23. £110,000 has been added to the capital programme for the redesign of the former reception area at Kingsway House to create a new reception area and additional office space; this is funded from one off revenue savings.
24. £150,000 has been allocated from the Community Capacity Grant to fund works at Allensway day centre to remodel the current kitchen area to provide further activity space.

#### Scheme Revisions

25. The Playing Pitch Strategy has been revised and was approved by Cabinet in November 2015. Some investment is needed in pitches and the Council has worked with Stockton Sixth Form College and Stockton Town Football Club to develop a new 3G pitch on the college site which will be a widely used community facility, supports the revised Playing Pitch Strategy and has attracted external funding, through grants and contributions. This therefore releases £750,000 of Council one off resources which was originally approved to develop grass pitches on the Norton site. Consideration will be given to the use of these resources as part of the MTFP update.

### **FINANCIAL IMPLICATIONS**

26. To update the MTFP and Capital Programme.

### **LEGAL IMPLICATIONS**

27. None

### **RISK ASSESSMENT**

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

### **EQUALITIES IMPACT ASSESSMENT**

29. Not applicable

### **CORPORATE PARENTING**

30. Not applicable

**CONSULTATION INCLUDING WARD/COUNCILLORS**

31. Not applicable.

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