

## AGENDA ITEM

### REPORT TO EXECUTIVE SCRUTINY

20 JULY 2016

### REPORT OF CORPORATE MANAGEMENT TEAM

## MEDIUM TERM FINANCIAL PLAN OUTTURN - MARCH 2016

### SUMMARY

This report provides Executive Scrutiny Committee details of the financial performance and position at the end of the 2015/16 financial year and updates the Medium Term Financial Plan as at 31 March 2016, following the reporting of this information to Cabinet.

### RECOMMENDATIONS

That the Committee note the following recommendations which were approved by Cabinet on 14<sup>th</sup> July.

1. That the Medium Term Financial Plan (MTFP) and the current level of General Fund balances be noted.
2. That surplus General Fund Balances of £250,000 be allocated to the developments at Londonderry Bridge.
3. That the revised Capital Programme attached at **Appendix A** be noted.
4. That the balances identified at paragraph 16 are transferred to the Tees Valley Combined Authority.
5. That the Council accept a delegation from the Tees Valley Combined Authority to undertake the administrative functions summarised in **Appendix C**.

### DETAIL

#### FINANCIAL POSITION AS AT 31 MARCH 2016

#### 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.

<b>Service Reserves (MS)/MC</b>	<b>Previously reported position at 31/3/16 (MS) / MC's £'000's</b>	<b>Outturn position at 31/3/16 (MS) / MC's £'000's</b>	<b>Outturn position at 31/3/17 (MS) / MC's £'000's</b>	<b>Outturn position at 31/3/18 (MS) / MC's £'000's</b>
CESC	(2,146)	(2,442)	(745)	0
D & NS	(572)	(500)	(11)	0
RESOURCES	(645)	(608)	(318)	(177)
LAW & DEMOCRACY	(208)	(238)	(238)	(238)
PUBLIC HEALTH	(213)	(300)	(87)	0
<b>TOTAL</b>	<b>(3,784)</b>	<b>(4,088)</b>	<b>(1,399)</b>	<b>(415)</b>

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

- Members will note that the overall position for CESC (Non Big Ticket) has improved by £296,000 since the last report, largely due to staff vacancies in advance of service reviews.

### **Development & Neighbourhood Services**

- The position for DANS (Non Big Ticket) at the financial year end has worsened overall by £72,000. Additional Catering income has been offset by increased pressures in the Transport Service.

### **Resources**

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

### **Law and Democracy**

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

### **Public Health (Environmental Health and Trading Standards)**

- The position is broadly in line with the previous projection.

### **BIG TICKET AREAS**

- 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.
- A summary of the outturn position for each Big Ticket area is set out below:

#### Adult Social Care

The 2015/16 budget identified that estimated growth of £800,000 would be offset by a corresponding level of savings. Projections for the first nine months of the financial year indicated that overall the anticipated level of growth had not materialised and that reductions in volume and activity had led to savings of £387,000. The final position for the 2015/16 financial year was a saving of £964,000, representing an improvement of £577,000 and this is in the main due to the integration of elements of Health and Social Care funding.

## Children's Social Care

In setting the budget for 2015/16, a sum of £2,659,000 was allocated to fund growth in this area in recognition of the transition period prior to the delivery of target savings. It was previously indicated, during the financial year, that only £2,081,000 would be required. The final position was that the growth pressures were £1,740,000, an improvement of £341,000. The main reasons being reduced usage of independent fostering agencies (£200,000) and a reduction in Residential Agency costs due to placements ceasing (£75,000).

## Energy and Waste

Underlying target savings for waste have been achieved, however operational issues during the year have led to an increase in one-off expenditure. It was reported previously that additional expenditure was incurred on the waste contract due to an increase in the tonnage of waste disposed throughout the year. It was also reported that a maintenance shutdown at the Incinerator occurred in January which increased disposal costs. This was further compounded by an additional maintenance shutdown in March 2016, one month earlier than anticipated.

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 during the year.

In combination the impact was to increase the overspending on the overall Energy & Waste Big Ticket areas by £183,000 to £865,000 as at 31 March 2016.

## Summary - Big Ticket Areas

A sum of £2.79m had been set aside in the 2015/16 budget in recognition of the transition to a balanced position on Big Ticket areas. The report to members in February 2016 projected that overall the Big Ticket Reviews were delivering within the allocated growth provision in the MTFP, with a combined saving of £283,000 against the resources allocated in 2015/16. This sum was reported in February as increasing the General Fund balances available to support the MTFP as one-off resources and was utilised as set out in the February report. The final position, reflecting the information in the paragraphs above, is that an additional sum of £734,000 was generated representing the unused element of the growth provision set aside in 2015/16.

A further review of the projections relating to Children's and Adults Social Care will be undertaken and set out in a subsequent report on the MTFP.

## **General Fund Balances**

9. At the time that the 2016/17 budget was set it was expected that a sum of £878,000 would be available as on-off resource. This sum was allocated for use as a one-off resource in 2016/17.
10. The position at outturn has improved by £975,000, reducing to £725,000 after accounting for the recommended allocation in respect of Londonderry Bridge.

A number of factors have contributed to the improved position, largely relating to the technical aspects of the Business Rates Scheme. The Business Rate Levy was not as high as anticipated (£164,000), reflecting the requirement to increase the appeals provision for significant appeals such as that made by Virgin Media. A further sum of £621,000 relates to the receipt of S31 grants in respect of Business Rates Relief awarded following changes in national legislation. The technicalities of the Business Rates Retention System, and the interplay between the Collection Fund and the General Fund, can lead to balances at year-end. It is recommended that these balances are retained and considered as part of the

review of the MTFP as part of the budget process.

### **Londonderry Bridge Funding**

11. The work to facilitate the replacement of Londonderry Bridge which removes the flood risk from communities across Lustrum Beck requires the full closure of Durham Road. A number of options were considered in consultation with members and community representatives that considered the impact of having to divert buses as a result of the road closure. On balance and following very detailed analysis of community views and risk assessment processes it was required to keep diverted buses away from narrow residential streets and local schools but this requires buses to operate lengthy diversions along Durham Road bypass and requires additional vehicles to maintain the current frequency of services. This required therefore a financial contribution to supporting the additional bus services as this was a direct result of the Council's activity in the bridge replacement and the additional funding of £250K is required to support this with several bus operators who operate in that area.

### **Capital**

12. 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 £'000</b>	<b>Programme Revisions £'000</b>	<b>Revised Programme £'000</b>	<b>Completed Schemes 2015/16</b>	<b>Variiances (Completed Schemes)</b>	<b>Revised Programme</b>
Schools Capital	17,059	1,751	18,810	(2,304)	(4)	16,503
Housing Regeneration & Town Centres Schemes	27,823	2,954	30,776	(14,726)	-	16,051
Transportation	33,056	1,450	34,506	(15,300)	48	19,254
Other Schemes	41,453	2,355	43,809	(10,309)	(55)	33,445
<b>Total Approved Capital MTFP</b>	<b>119,391</b>	<b>8,510</b>	<b>127,901</b>	<b>(42,639)</b>	<b>(11)</b>	<b>85,253</b>

13. The Department for Education have recently announced a Basic Need Grant allocation of £31.5m for 2018/19. This is in recognition of the pressure on School Places in areas of the Borough and an Investment Plan is currently being developed which will be presented to Cabinet at a future meeting.
14. Members will note that the programme has been updated to reflect the approvals contained within the 2016/17 Budget Report and to reflect changes to the programme resulting from the sourcing of external funding. The changes are summarised in **Appendix B**.
15. The Programme has also been updated to reflect schemes which have completed in 2015/16.

### **TEES VALLEY COMBINED AUTHORITY – BALANCES**

16. Following the formation of the Tees Valley Combined Authority in April 2016, balances previously held by Stockton on Tees Borough Council as accountable body to the LEP/TVU will require to be transferred to the new Combined Authority. These balances are summarised below:

- Balances at 31/3/16 - £35,121,490 (including Reserves and SSI Task Force Funding)
- Balances post 1/4/16 - £52,622,790 (including Local Growth Fund allocation)

It is recommended that these balances are transferred to the Tees Valley Combined Authority.

## **TEES VALLEY COMBINED AUTHORITY – DELEGATION OF ADMINISTRATIVE FUNCTIONS**

17. The Combined Authority and Stockton-on-Tees Borough Council are local authorities for the purposes of the Local Government Act 1972 and the Local Democracy, Economic Development and Construction Act 2009. It is proposed that the Combined Authority facilitates the delivery of certain of its administrative functions with a view to their more economical, efficient and effective discharge through a delegation to Stockton-on-Tees Borough Council of those functions set out at **Appendix C**.
18. The Combined Authority has power to make the proposed delegation in reliance on the exclusive rights given to local authorities to undertake administrative arrangements of this nature in sections 101, 102, 112 and 113 of the Local Government Act 1972, sections 9EA and 9EB of the Local Government Act 2000 and section 1 of the Localism Act 2011 and the regulations made under these Acts; and the supporting provisions within section 111 Local Government Act 1972 and all other relevant powers.
19. As these functions are executive functions, Stockton-on-Tees Borough Council's Cabinet are requested to accept the delegation from the Combined Authority.
20. The proposed arrangement is deemed to constitute an arrangement which establishes or implements co-operation between contracting authorities pursuant to Regulation 12(7) of the Public Contracts Regulations 2015 and is excluded from the requirements of competition.

## **COMMUNITY IMPACT IMPLICATIONS**

21. N/A

## **FINANCIAL IMPLICATIONS**

22. To summarise the financial outturn position for 2015/16 and to update the MTFP accordingly.

## **LEGAL IMPLICATIONS**

23. None

## **RISK ASSESSMENT**

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

## **COUNCIL PLAN POLICY PRINCIPLES AND PRIORITIES**

25. The report addresses all four Policy Principles in the Council Plan

## **CORPORATE PARENTING IMPLICATIONS**

26. Not applicable

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

27. Not applicable.

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APPENDIX A

CAPITAL PROGRAMME 2012-2018	Current Approved Programme	Programme Revisions	Revised Programme	Completed Schemes 2015/16	Variances (Completed Schemes)	Revised Programme
<b>SCHOOL CAPITAL</b>						
School Investment Programme	17,059,267	1,750,866	18,810,133	(2,303,663)	(3,892)	16,502,578
<b>SCHOOLS CAPITAL</b>	<b>17,059,267</b>	<b>1,750,866</b>	<b>18,810,133</b>	<b>(2,303,663)</b>	<b>(3,892)</b>	<b>16,502,578</b>
<b>HOUSING REGENERATION &amp; TOWN CENTRES SCHEMES</b>						
Housing Regeneration	10,931,120	8,233	10,939,353	(4,636,091)	-	6,303,262
Stockton Town Centre Schemes	8,144,267	2,501,600	10,645,867	(2,314,654)	-	8,331,213
Billingham Town Centre Schemes	1,918,445	(6,000)	1,912,445	(1,838,985)	-	73,460
Other Regeneration Schemes	6,828,830	450,000	7,278,830	(5,935,949)	-	1,342,881
<b>HOUSING REGENERATION &amp; TOWN CENTRES SCHEMES</b>	<b>27,822,662</b>	<b>2,953,833</b>	<b>30,776,495</b>	<b>(14,725,679)</b>	<b>0</b>	<b>16,050,816</b>
<b>TRANSPORTATION</b>						
Local Transport Plans	11,146,691	(523,589)	10,623,102	(2,674,087)	-	7,949,015
Other Transport Schemes	15,361,709	1,869,747	17,231,456	(10,426,206)	48,230	6,853,480
Developer Agreements	4,836,262	63,850	4,900,112	(1,504,396)	33	3,395,749
Tees Valley Bus Network Initiative	1,711,370	40,000	1,751,370	(695,285)	-	1,056,085
<b>TRANSPORTATION</b>	<b>33,056,032</b>	<b>1,450,008</b>	<b>34,506,040</b>	<b>(15,299,974)</b>	<b>48,263</b>	<b>19,254,329</b>

<b>CAPITAL PROGRAMME 2012-2018</b>	<b>Current Approved Programme</b>	<b>Programme Revisions</b>	<b>Revised Programme</b>	<b>Completed Schemes 2015/16</b>	<b>Variances (Completed Schemes)</b>	<b>Revised Programme</b>
<b>OTHER SCHEMES</b>						
Private Sector Housing	2,444,061	1,716,607	4,160,668	(1,155,587)	-	3,005,081
Building Management & Asset Review	3,549,560	79,553	3,629,113	(1,419,008)	(49,286)	2,160,819
ICT & Infrastructure	495,214	0	495,214	-	-	495,214
Parks, Museums & Cemeteries	3,367,079	172,585	3,539,664	(2,802,286)	(163)	737,215
Energy Efficiency Schemes	13,240,000	0	13,240,000	-	-	13,240,000
Other Schemes	18,357,529	386,724	18,744,253	(4,932,119)	(5,775)	13,806,359
<b>OTHER SCHEMES</b>	<b>41,453,444</b>	<b>2,355,469</b>	<b>43,808,913</b>	<b>(10,309,000)</b>	<b>(55,224)</b>	<b>33,444,689</b>
<b>Total Approved Capital MTFP</b>	<b>119,391,405</b>	<b>8,510,176</b>	<b>127,901,581</b>	<b>(42,638,316)</b>	<b>(10,853)</b>	<b>85,252,412</b>



**Programme Revisions 2015/16**Schools Capital

- The Department for Education announced grant funding for 2016/17 for the Schools Maintenance Programme £1,674,000.
- A saving of £300,000 due to the level of works required at the annex to Ash Trees School on the former Rievaulx site being lower than anticipated can now be returned back to the unallocated basic need provision for future allocation, with the remaining works to the changing facilities completing in 2016/17.

Housing Regeneration & Town Centre Schemes

- £401,600 Heritage Lottery funding for the Globe development phase has been added following HLF approval, in addition to £2,100,000 one off resources previously approved by Council.
- £450,000 previously approved by Council has been added to the capital programme to support investment in estate shops and associated infrastructure in order to continue to regenerate and improve the Borough.

Transportation

- Department for Transport announced Pothole Action Funding 2016/17 £116,000 and Highways Maintenance Incentive Funding 2016/17 £145,000.
- The demolition and rebuilding of Londonderry Bridge as part of the wider Lustrum Beck Flood Alleviation scheme has been added to the capital programme £1,810,000, funded via Environment Agency grant funding and (£724,000) contribution from LTP.

Other schemes

- Disabled Facilities Grant 2016/17 £1,246,000 was announced and a further £470,000 allocated via the Better Care Fund.
- The programme has been updated to reflect phase 2 of the development of Stockton Sixth Form College.
- Additional external funding has been secured for parks schemes in year £172,000, including High Grange MUGA, Windmill play tower and works in Blue Hall Recreation Ground.
- The planned investment in vehicles has been increased by £286,000 for 2016/17.

**Completed Schemes 2015/16**Schools Capital

- Planned Maintenance Schemes on a range of schools have been delivered in 2015/16 (£1,900,000).
- School Kitchen Improvements have now been completed (£440,000).

Housing Regeneration & Town Centre Schemes

- Housing regeneration schemes at Mandale, Swainby and Hardwick are now complete (£4,600,000).
- Further phases of Stockton Town Centre regeneration are now complete and have been removed from the programme (£2,300,000).
- The majority of Billingham Town Centre Public Realm works are now complete (£1,800,000), with only minor paving works to complete in 2016/17.

- The construction of Northshore Innovation Centre (Fusion Hive) was completed in year with the building opening in September 2015 (£5,900,000).

### Transportation

- (£2,700,000) has been spent delivering schemes as part of the Local Transport Plan programme.
- Works to Blakeston Lane/Junction Road Improvements are now complete (£760,000).
- Preston Park Car Park Improvements Phase 1 is complete (£330,000), with Phase 2 expected to be completed shortly.
- Congestion Relief works at A174/A1044 Thornaby Road (Pinch Point Scheme) are now complete (£2,700,000).
- Strategic maintenance improvements at the interchange access to Teesside Park have completed in year (£2,400,000).
- Newport Bridge Repainting works completed during the year (£4,200,000).
- Highways Improvements at Thornaby Town Centre (Allensway) (£1,300,000) and Highways works at Teesside Emulsion Polymer Plant (£200,000) are now complete, funded mainly via developer agreements.
- A number of completed Tees Valley Bus Network Initiatives schemes have been removed from the capital programme (£700,000); only two schemes now remain to be completed in 16/17.

### 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 (£340,000).
- Works to a number of libraries as part of the Asset Review are complete (£470,000), with only Yarm Library remaining to be completed in 16/17.
- Education Centre demolition was completed in year (£170,000).
- Works to 70 Norton Road to relocate the Looked After Childrens Service (£170,000) have been completed during the year.
- Preston Hall Museum Project completed within the year (£1,400,000).
- The delivery of improvements in a number of parks and cemeteries are now complete, including Preston Park Skate park, John Whitehead Skate Park & Heart of the Park works and works to Circular Trial woodlands, and have been removed from the programme (£1,360,000).
- Extension works at Tilery Primary School to increase nursery places for two year olds are complete (£420,000).
- The three childrens homes and King Edwin School have been completed (£2,300,000).
- Acquisition of vehicles costing (£760,000) has been removed from the programme.
- The Government funded Flood Support Repair & Renewal scheme has now ended (£220,000).
- The construction of the High Rope Course (Tees Barrage Air Trail) was complete in year and opened to the public in February 2016 (£1,000,000); some minor works are to be undertaken in 16/17.

**LIST OF FUNCTIONS DELEGATED TO STOCKTON-ON-TEES BC**

- Legal Services
- Procurement
- Insurance & Risk
- Human Resources
- Finance
  - Financial Management & Advice
  - Preparation of financial statements and returns
  - VAT
  - Internal Audit
  - Payroll
- Democratic Services
- ICT Support