

AGENDA ITEM

REPORT TO EXECUTIVE SCRUTINY

19 SEPTEMBER 2017

REPORT OF CORPORATE MANAGEMENT TEAM

MEDIUM TERM FINANCIAL PLAN OUTTURN – MARCH 2017

Summary

This report focuses on the financial performance and position at the end of the 2016/17 financial year and updates the Medium Term Financial Plan (MTFP) as at 31 March 2017. The report was presented to the July meeting of Cabinet.

Recommendations

1. That the MTFP and the current level of General Fund balances be noted.
2. That the position regarding the Virgin Media appeal relating to National Non Domestic Rates be noted.
3. That the allocation of £3,640,877 from the Improved Better Care Fund be noted.
4. That the revised Capital Programme attached at **Appendix A** be noted.

DETAIL

FINANCIAL POSITION AS AT 31 MARCH 2017

GENERAL FUND

1. The following table sets out the final financial position for each Directorate as at 31 March 2017. The reasons for any significant movements are summarised in the paragraphs below.

Directorate	Annual Budget £'000	Outturn £'000	Variance to budget Over/(Under) £'000	Previously Reported Variance (Q3) £'000	Movement Over/(Under) £'000
Children's Services	33,041	34,840	1,799	1,923	(124)
Adults and Health	71,985	70,599	(1,386)	(943)	(443)
Community Services	18,200	19,062	862	777	85
Economic Growth & Development	13,967	14,200	233	397	(164)
Culture, Leisure and Events	8,097	8,218	121	64	57
Finance & Business Services	7,848	7,685	(163)	(103)	(60)
HR, Legal and Communications	3,462	3,514	52	(51)	103
Corporate Areas	10,416	9,773	(643)	(325)	(318)
Democratic Services + Xentrall	2,861	2,841	(20)	(30)	10
Total	169,877	170,732	855	1,709	(854)
Projected savings on organisation wide - Staff turnover/vacancies				(470)	470
Revised Total	169,877	170,732	855	1,239	(384)

Children's Services

2. The overspend overall reduced from £1,923,000 to £1,799,000, an improvement of £124,000. This was mainly due to the actual costs of Looked After Children being lower than previously estimated. Pressures continue in this area and this was reflected in the revisions to the Medium Term Financial Plan in February 2017.

Adults and Health

3. The position has improved by £440,000 at the end of the year. There were a number of small positive variances but the main movements were:
 - Vacant posts in advance of Service Reviews
 - Expenditure on Direct Payments lower than anticipated

Economic Growth & Development

5. The position improved in the final quarter due to increased income being generated from planning fees and from external sources.

HR, Legal & Communications

6. The main reason for the movement was in connection with increased Legal costs in relation to Social Care activity and work is ongoing to assess future implications.

Corporate Areas

7. Following the introduction of the National Living Wage (NLW), funding of £2,000,000 was identified in 2016/17 to meet the projected costs, which largely relate to increases in external care fees. The sum actually utilised was £299,000 lower than anticipated. The estimated costs of the NLW across the MTFP were reassessed in February 2017 leading to a reduction in the resources required over the MTFP and the plan was updated accordingly.

Organisation-wide Elements

8. The projected savings on organisation-wide elements (staff turnover/travel, etc) materialised as expected and this is reflected in Directorate lines within the table in paragraph 1.
9. Members will recall that the 2017/18 budget included a number of service pressures and the outturn position reflects this. This will continue to be closely monitored throughout the year.

Managed Surplus

10. Previous reports to Cabinet summarised the position regarding the remaining balance of managed surplus funds. This has now been updated to reflect the position at year end as follows:

	£'000	£'000
Unallocated balance previously reported		81
Slippage on 2016/17 schemes at Outturn		714
Carried forward for use in 2017/18 – Outturn		
Highways Schemes	(130)	
Carers Strategy	(77)	
Surveillance Centre	(250)	
Local Plan	(57)	
Innovation Fund	(200)	
Total Carried forward at Outturn for use in 2017/18		(714)
Balance not currently earmarked		81

Virgin Media – National Non Domestic Rates

11. Previous reports to Cabinet and Council have highlighted the implications of an appeal by Virgin Media requesting that their assessments be merged nationally, backdated to the start of the 2010 Rating List. Previous indications have been that these appeals would have a good chance of being successful and in that context a provision to cover the potential loss of rates income was set aside in the NNDR Collection Fund.
12. On 11 May 2017 we were notified by the regional office of the Valuation Office Agency (VOA) that Virgin Media have withdrawn their merger appeals on the 2010 List. One, much smaller, appeal still remains and this will be dealt with in due course by the VOA. This decision by Virgin Media requires us to review the provision for appeals in the Collection Fund. The impact for the period up to 31 March 2017 is to release a sum of £6,208,000, with Stockton's share being 49% (£3,042,000). It is important to note that this sum will not become available until 2018/19 and its use will therefore be considered as part of the 2018/19 MTFP. Set against this will be the requirement to pay an additional Levy in 2016/17 at 6%, equating to £183,000. This will be funded from available General Fund Balances. This will also mean that we will no longer need to provide for this appeal in year and will result in a benefit of approximately (£1,800,000) each year going forward. This will also be considered as part of the 2018/19 MTFP.
13. Although the decision by Virgin Media was made after the end of the financial year 2016/17 there is an accounting requirement that this change be reflected in the 2016/17 statement of accounts.

General Fund Balances

14. The report to Members in February 2017 agreed the use of balances to fund the anticipated expenditure in excess of budget £1,239,000 and a contribution to one-off resources £200,000.
15. The position has been reviewed at the end of the year and there are a number of changes:
 - The year-end position improved by (£384,000) as per the table in paragraph 1.
 - A number of technical adjustments relating to treatment of business rates means a call on balances of £122,000.
 - Paragraph 14 outlines the positive position in relation to the provision set aside for Virgin Media appeals. The accounting treatment however means that there will be a levy of £183,000 payable in respect of NNDR in 2016/17 which will be recouped in 2017/18.

The impact of the above changes is that £79,000 is available to be carried forward and this will be considered as part of the budget process in 2018/19.

Additional Funding – Improved Better Care Fund

16. The Council agreed the budget for year 2017/18 on 22 February 2017. Subsequently in the Chancellor’s Budget on 8 March 2017, the Government announced an allocation of additional funding relating to Adult Social Care. The allocation covers three financial years, with the allocations reducing over that period as follows:

2017/18	£3,640,877
2018/19	£2,401,401
2019/20	£1,192,949

17. There is a requirement that the funding be added to the Better Care Fund pooled budget and utilised on priorities for Adult Social Care.
18. Expenditure Plans are currently being developed in conjunction with the Clinical Commissioning Group (CCG) and details will be included in future reports.

Fairer Funding and 100% Business Rates Retention

19. The recent Queens Speech did not include a new Local Government Finance Bill and so it will not form part of the Parliamentary timetable for this session. This inevitably casts some uncertainty over the future of the move to 100% Business Rates Retention and Fairer Funding allocations.

Capital

20. The Capital budget for 2012/20 is shown at **Appendix A** and summarised in the table below:

CAPITAL PROGRAMME Up to 2020	Current Approved Programme £'000	Programme Revisions £'000	Revised Programme £'000	Completed Schemes 2016/17	Variances (Completed Schemes)	Revised Programme
Schools Capital	16,927	39,243	56,170	(3,702)	(50)	52,418
Housing Regeneration & Town Centres Schemes	33,059	644	33,704	(2,567)	(115)	31,022
Transportation	20,260	1,154	21,414	(14,042)	(114)	7,258
Other Schemes	35,373	1,790	37,163	(4,960)	(136)	32,067
Total Approved Capital MTFP	105,619	42,831	148,451	(25,271)	(415)	122,765

21. Members will note that the programme has been updated to reflect the approvals contained within the 2017/18 Budget Report and to reflect changes to the programme resulting from the sourcing of external funding. The changes are summarised in **Appendix B**. The Programme has also been updated to reflect schemes which have completed in 2016/17.

FINANCIAL IMPLICATIONS

22. To summarise the financial outturn position for 2016/17 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 Up to 2020	Current Approved Programme	Programme Revisions	Revised Programme	Completed Schemes 2016/17	Variances (Completed Schemes)	Revised Programme
SCHOOL CAPITAL						
School Investment Programme	16,927,404	39,242,695	56,170,099	(3,702,265)	(50,332)	52,417,502
SCHOOLS CAPITAL	16,927,404	39,242,695	56,170,099	(3,702,265)	(50,332)	52,417,502
HOUSING REGENERATION & TOWN CENTRES SCHEMES						
Housing Regeneration	6,311,922	75,844	6,387,766	(1,286,937)		5,100,829
Stockton Town Centre Schemes	25,331,213	214,200	25,545,413	(1,018,652)		24,526,761
Billingham Town Centre Schemes	73,460	0	73,460	(60,830)	(12,630)	0
Other Regeneration Schemes	1,342,881	354,208	1,697,089	(200,302)	(102,579)	1,394,208
HOUSING REGENERATION & TOWN CENTRES SCHEMES	33,059,476	644,252	33,703,728	(2,566,721)	(115,209)	31,021,798
TRANSPORTATION						
Local Transport Plans	8,169,944	(242,068)	7,927,876	(3,012,258)	0	4,915,618
Other Transport Schemes	7,035,865	872,365	7,908,230	(7,308,145)	(120,596)	479,489
Developer Agreements	3,998,379	539,339	4,537,718	(2,682,449)	7,642	1,862,911
Tees Valley Bus Network Initiative	1,056,085	(16,053)	1,040,032	(1,039,242)	(790)	0
TRANSPORTATION	20,260,273	1,153,583	21,413,856	(14,042,094)	(113,744)	7,258,018
OTHER SCHEMES						
Private Sector Housing	3,146,441	619,204	3,765,645	(1,377,677)		2,387,968
Building Management & Asset Review	2,578,379	307,197	2,885,576	(1,780,264)	(197,947)	907,365
ICT & Infrastructure	415,215	0	415,215	(235,000)		180,215
Parks, Museums & Cemeteries	1,079,131	10,798	1,089,929	(817,191)	63,352	336,090
Energy Efficiency Schemes	14,240,000	0	14,240,000			14,240,000
Other Schemes	13,913,974	852,896	14,766,870	(750,325)	(1,500)	14,015,045
OTHER SCHEMES	35,373,140	1,790,095	37,163,235	(4,960,457)	(136,095)	32,066,683
Total Approved Capital MTFP	105,620,293	42,830,625	148,450,918	(25,271,537)	(415,380)	122,764,001

Programme Revisions 2016/17Schools Capital

- The Department for Education announced grant funding for 2017/18 for the Schools Maintenance Programme £1,242,326.
- Following a successful bid to the Early Years Capital Fund £1,143,867 has been added to the Capital Programme to create additional 30hr free childcare provision at Crooksbarrow, St Mark's and Priors Mill Primary schools.
- The Department for Education announced Basic Need Capital grant funding of £31,521,931 for 2018/19 and £5,644,000 for 2019/20, this is offset by a reassessment of capital receipts (£590,000).

Housing Regeneration & Town Centre Schemes

- £124,200 Heritage Lottery funding for the Townscape Heritage development phase has been added to the capital programme following a successful bid to Heritage Lottery.
- Following approval in the Feb 17 MTFP Cabinet report to deliver the Growth Plan and support development of the Borough, Employment Land has been purchased in Billingham £442,750 funded from borrowing approvals.

Transportation

- An additional £1.2m in respect of transportation schemes has been added into the capital programme which includes £215,000 Highways Maintenance Incentive Funding 17-18, £414,000 S278 Highways access to Mount Leven (fully funded via developer) and £300,000 to support Myton Way.

Other schemes

- 2017/18 Better Care Fund has been announced this has added an additional £600,000 to the capital programme to support disabled adaptations.
- The capital element of the building maintenance programme of £210,000 for 2017/18 has been added.
- A successful bid to the Department of Health Housing & Technology Capital Fund generated £202,000.
- The planned investment in vehicles from the fleet renewal fund has been increased by £649,146 for 2017/18.

Completed Schemes 2016/17Schools Capital

- Planned Maintenance Schemes on a range of schools have been delivered in 2016/17.
- Works to increase the SEN provision at Rosebrook Primary School are now complete.
- The annex to Ash Trees School on the former Rievaulx site is now complete.

Housing Regeneration & Town Centre Schemes

- The majority of Parkfield Regeneration works are now complete.

- Further phases of Stockton Town Centre regeneration are now complete and have been removed from the programme.
- Wider Northshore costs in relation to Fusion Hive have been finalised and have been removed from capital programme. The remaining funds have been earmarked for potential revenue costs during the first three years of operation.

Transportation

- (£3.0m) has been spent delivering schemes as part of the Local Transport Plan programme.
- Preston Park Car Park Improvements Phase 2 is now complete.
- Capacity improvement works at Myton Way are now complete.
- Highways access and footpath/cycleway works both at Ingleby Manor free school are now complete, funded mainly via developer agreements.
- Roundabout improvements at Quarry Farm mainly funded by developer agreements are now complete.
- The remaining two Tees Valley Bus Network Initiatives schemes in Billingham and Thornaby have now been completed.
- Flood defence improvements at Londonderry Bridge are now complete resulting in a cost saving/ grant reduction.

Other schemes

- Disabled Adaptations have been completed in privately owned homes.
- A number of planned maintenance schemes have been delivered across a range of Council Buildings.
- Refurbishment works at Yarm Library have been completed.
- Works to support the revised playing pitch strategy including a 3G pitch to be used by the community at Stockton Sixth Form College site (phase 1) are complete.
- Works at Stockton Sixth Form College & Our Lady & St Bede's for relocation of the Education Centre have been completed.
- Phase 1 of the Broadband Infrastructure for Enterprise Zones is now complete.
- A number of parks schemes have completed in year including England Coastal Path Phase 1, John Whitehead Synthetic Bowling Green, Rosthwaite Avenue MUGA and Wynyard Woodland Park Restoration.
- Acquisition of vehicles have been removed from the capital programme.