

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

21 FEBRUARY 2019

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET / COUNCIL DECISION

Leader of the Council – **Councillor Cook**

MEDIUM TERM FINANCIAL PLAN UPDATE AND STRATEGY

1. Summary

This is the final report in setting the Council's 2019/20 Budget and Council Tax and outlining the Medium Term Financial Plan (MTFP) position to 2023.

2. Recommendations

COUNCIL DECISIONS

1. That in accordance with the Local Government Act 2003, Members note that the Section 151 Officer confirms that the following recommendations:
 - a) represent a robust budget which has been prepared in line with best practice;
 - b) provide adequate working balances;
 - c) that the controlled reserves and provisions are adequate for their purpose.

General Fund Budget

2. Approve a 2019/20 Council Tax requirement for Stockton-on-Tees Borough Council of £89,143,441.
3. Approve a 2019/20 Council Tax requirement for Stockton-on-Tees Borough Council inclusive of Parish Precepts (£870,287) of £90,013,728.
4. Approve the 2019/20 budget and indicative 2019/23 MTFP as outlined in paragraphs 37-39.
5. Approve Prudential Borrowing of £2.5m to fund the additional costs associated with the Globe Theatre, which has previously been agreed in principle by Cabinet.

Business Rate Relief System

6. Note the changes introduced in the Spring and Autumn Budgets of 2017 and 2018.

Taxation

SBC

7. Approve the Council Tax for Stockton-on-Tees Borough Council prior to Parish, Fire and Police Precepts be increased by 2.9% i.e. to £1,588.65 at Band D (£1,059.10 at Band A).

Fire, Police & Parish

8. The Council note the Police precept of £14,058,476 which equates to a Council Tax of £250.54 at Band D (£167.03 at Band A).
9. The Council note the Fire precept of £4,340,878 which equates to a Council Tax of £77.36 at Band D (£51.57 at Band A).
10. The Council note the Parish precepts as set out in paragraph 63 of the budget report.

Capital

11. Approve the Capital Programme attached at **Appendix A & B**.

Organisational and HR

12. The Pay Policy Statement attached at **Appendix C** to this report be approved.

Members Allowances

13. Approve that Members allowances are frozen for 2019/20. This will mean that these allowances have been frozen since 2013/14.

Council Tax - Statutory Requirements

14. Members approve the statutory requirements for Council Tax as shown in **Appendix D**.
15. Cabinet recommend to Council that the current Local Council Tax Support Scheme is retained for the financial year 2019/20 (see paragraph 66).

Capital Strategy

16. Approve the Capital Strategy as set out at **Appendix E** to the report.

Treasury Management/Prudential Code

17. Approve the Treasury Management Strategy as set out in **Appendix F** to the report.

Investment Strategy

18. Approve the Investment Strategy as set out at **Appendix G** to the report.

CABINET DECISIONS

19. Cabinet approve and note the Officer Appointments to outside bodies and governing bodies at **Appendix C(2)**.

3. Reasons for the Recommendations/Decisions

To update Members on the Council's financial position.

4. Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code)

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

Disclosable Pecuniary Interests

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code).

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DETAIL

1. The MTFP report for 2019/20 to 2022/23 is attached. The report outlines the Council Tax proposals and Budget for 2019/20 and the indicative MTFP for the next three years.
2. The report updates the position from that reported to Cabinet and Council in February and March 2018 and in particular reflects implications arising from the Autumn Budget 2018 and the Local Government Finance Settlement for 2019/20.
3. The Provisional and Final Financial Settlements have provided funding allocations for 2019/20 only, this being the final year of the four year settlement agreed with MHCLG. They confirm further funding reductions which will make the difficult financial position faced by the Council even more challenging. The report also provides an update on future changes to Local Government Finance. These include the move to retention of a greater proportion of business rates by Local Authorities and the introduction of changes to the funding formulae. These are potentially major changes which are likely to have an impact on future council funding. This means that the position for 2020/21 onwards, outlined in the report, needs to be treated with some caution.
4. Members will be aware that the Council has a strong track record of prudent financial management and delivering savings early. This has enabled the use of reserves to support a planned and managed approach to addressing the financial challenges and this will continue.

COMMUNITY IMPACT ASSESSMENT

5. As part of the process of making changes to policy or delivery of services, we consider the impact on our communities. No changes to policy or service delivery are proposed as part of this report.

FINANCIAL AND LEGAL IMPLICATIONS

6. To update the MTFP position for 2019/20 – 2022/23 and recommend the budget for 2019/20.

RISK ASSESSMENT

7. This review of the MTFP and projected outturn report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

COUNCIL PLAN POLICY PRINCIPLES AND PRIORITIES

9. Deliver a balanced and sustainable Medium Term Financial Plan.

CORPORATE PARENTING IMPLICATIONS

10. No direct implications.

CONSULTATION, INCLUDING WARD COUNCILLORS

11. Consultation will be undertaken as part of the lead in to setting the 2019/20 budget.

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**MEDIUM TERM FINANCIAL PLAN
AND BUDGET
2019/20**

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SECTION 1 - BACKGROUND AND CONTEXT

Approach to Financial Management

1. Members will be aware from previous reports of the level of Government funding reductions in recent years and the significant challenges that this presents. There has been a reduction in Government funding between 2010/11 and 2019/20 of £73m (approximately 60% in cash terms).
2. The Council has recognised for a number of years the financial challenges and the need to prepare well in advance. Our approach to financial planning over the long-term has allowed us to plan ahead and has meant that we have been able to operate a managed approach to delivering savings. This includes opportunities for Invest to Save and exploring alternative models of service delivery.
3. The Council has a long history of providing value for money and delivering strong financial management which has again been reinforced by the External Auditor in his report to Cabinet in September 2018 which stated:

“The Council is well aware of the financial challenges it is facing in the future. The MTFP has been refreshed and updated for known pressures, events and assumptions as part of the 2018/19 budget setting process. The Council remain well placed to face these challenges and Officers continue to keep the overall position under close review”.

As part of this approach, there is a strong track record of delivering savings and efficiencies and the Council remains well prepared for the challenges ahead.

4. The approach has meant that savings have been delivered in a planned and managed way. The Council will have delivered savings of around £45m by 2019/20 through various means. The Council has tried to protect front line services wherever possible and significant elements of the programme have been delivered through a series of reviews, freezing budgets, Invest to Save schemes and innovative changes to delivery models, such as the Council’s Smarter Working Programme.

SECTION 2 – NATIONAL CHANGES

Government Funding – Autumn Budget

5. The Government announced additional funding for Adult Social Care Winter Pressures for years 2018/19 and 2019/20. For Stockton this amounts to £845,239 for each of the two years. In addition a new Adults and Children Social Care Grant was introduced for 2019/20 only (£1,443,949 for Stockton). Whilst this funding is welcome, it is a one-off without any commitment that it will continue in future years.

Government Funding – Provisional Settlement

6. The Provisional Local Government Finance Settlement was announced on 13 December 2018 and the key issues which impact on the Council’s financial position are outlined below.

New Homes Bonus – the 2019/20 allocations were announced, still based on a need to grow our taxbase above the 0.4% threshold. The position remains uncertain beyond 2019/20.

Council Tax Referendum Threshold – The Government has maintained the increased referendum limit for Council Tax at 3% for 2019/20. The Government’s published data on Core Spending Power assumes a 3% increase in Council Tax. The implications are discussed further in Section 4.

Public Health Grant – No significant changes were announced.

Better Care Fund – No significant changes were announced.

Social Care Funding (Adults and Children) – The Provisional Settlement confirmed the Adult Social Care Winter Pressures Funding for 2018/19 and 2019/20 and the Adults and Children’s Social Care Grant for 2019/20 previously announced in the Autumn Budget. Despite continued lobbying from within the Local Government Sector around pressures relating to Social Care, again no long term additional funding has been identified by Government to support these services.

Distribution of Business Rates Levy Account Funding – An additional £180m nationally (£599,000 for Stockton) was announced by the Secretary of State. This has been funded from the surplus on the National Business Rates Retention Levy/Safety Net Account. This will be paid in late 2018/19 and utilised to support the MTFP.

Local Government Funding Reform – The Government has published further consultation papers on Fair Funding and on Retention of Business Rates and has confirmed the intention to introduce the changes in 2020/21. The Secretary of State also confirmed that there will be a business rates baseline reset in 2020/21.

Government Funding – Final Settlement

7. On 29 January 2019 the Government presented the Final Local Government Finance Settlement. There were no changes impacting on Stockton from those published in the Provisional Settlement.

SECTION 3 - FINANCIAL POSITION TO 31 DECEMBER 2018

DIRECTORATE POSITION

8. The following table details the projected budget outturn position for each directorate in 2018/19, based on information to 31 December 2018. The reasons for any significant movements in variances from the last reported position (in excess of £100,000) are set out for each directorate below:

Directorate	Annual Budget (Q3) £'000	Projected Outturn at Q3 £'000	Projected Variance at Q3 Over/(Under) £'000	Projected Variance at Q2 Over/(Under) £'000	Movement between Q2 and Q3 £'000
Children's Services	36,927	37,390	463	1,019	(556)
Adults and Health	71,387	70,720	(667)	(100)	(567)
Community Services	32,422	32,300	(122)	(235)	113
Economic Growth & Development	8,013	7,843	(170)	13	(183)
Culture, Leisure and Events	8,476	8,431	(45)	(45)	0
Finance & Business Services	8,146	8,127	(19)	54	(73)
HR, Legal and Communications	4,876	5,181	305	225	80
Corporate Areas	902	943	41	(82)	123
Admin/Democratic Services & Xentrall	7,097	7,027	(70)	(70)	0
Total	178,246	177,962	(284)	779	(1,063)

Children's Services

9. The report to Cabinet in September 2018 highlighted the range of measures being reviewed and implemented to address pressures in this area. Indications are that these measures are now having a positive impact on the numbers and costs of Looked After Children. The Joint Venture with Spark of Genius is continuing to perform extremely well and this is expected to perform ahead of the Business Case and deliver additional savings of £230,000. This brings the overall savings to approximately £800,000 per annum.

Adults and Health

10. In early October 2018 the Health & Social Care Secretary announced an additional Winter Pressures Grant of £240m nationally in 2018/19 and 2019/20. The share allocated to Stockton is £845,239 per annum. We are already working collaboratively with Health colleagues to consider the impact of winter pressures and to consider areas of investment to manage and prevent pressures on our services and this funding will be used to support this investment.
11. The MTFP for 2018/19 assumed that any growth pressures would be offset by savings and current indications are that growth will be managed within the service. A one-off refund of National Insurance Contributions relating to Direct Payments (£300,000) will contribute to an overall underspend for the Directorate.

Community Services

12. The combination of a number of smaller projected variances has resulted in a movement of £113,000.

Economic Growth and Development

13. Additional income from planning fees (£100,000) and the impact of vacant posts (£65,000) is leading to a projected underspend for the Directorate.

Culture, Leisure and Events

14. No significant variances from the previously reported position.

Finance and Business Services

15. No significant variances overall from the previously reported position.

HR, Legal and Communications

16. No significant variances overall from the previously reported position.

Corporate Areas

17. Additional income relating to the Small Business Rates Threshold changes compensation is projected to be offset by backdated holiday pay payments.

Administration, Democratic Services and Xentrall

18. No significant variances overall from the previously reported position.

OVERALL REVENUE POSITION/GENERAL FUND BALANCES

19. The Council aims to retain General Fund balances at a prudent level, currently £7,400,000. As reported to Cabinet previously, the level of balances including unutilised Managed Surplus, currently exceeds that recommended level by £515,000. This sum is available to support the MTFP as highlighted at paragraph 33. If the underspend of £284,000 outlined at paragraph 8 materialises, this will also be available to support the plan.

SECTION 4 - 2019/20 COUNCIL TAX LEVELS

20. Members will be aware in previous years, the decisions taken around Council Tax increases considered the long-term impact of decisions and reflected the commitment to a planned and managed approach of the Council's financial position.
21. In previous years the Council has made decisions to increase Council Tax as opposed to freezing Council Tax levels. If these decisions had not been taken since 2012/13, the financial pressure facing the Council would be approximately £7m per annum higher than that outlined in this report.
22. As highlighted at paragraph 6, the Government have announced that the Council Tax Referendum Threshold will remain at 3% for 2019/20 and has assumed this level of increase in their spending power calculation. The current MTFP assumes a 2.9% increase in 2019/20. Because there is uncertainty that this increased Referendum limit will be sustained beyond 2019/20 1.9% has been assumed for the remainder of the MTFP.
23. Given the scale of the financial pressures facing the Council over the medium term it is recommended that the Council increase the core Council Tax by 2.9% for 2019/20. The impact of the increase of 2.9% in 2019/20 would be £0.57 per week (Band A) and £0.86 per week (Band D).
24. Members will be aware that in the period 2016/17 to 2018/19 the Council reluctantly implemented the Governments Adult Social Care levy to fund the growing demands and pressures in Social Care. Councils had the option to levy up to 6% over three years. Most chose either 2%,2%,2% or 3%,3% (over the period 2017/18 to 2019/20). Stockton chose the latter and therefore no further levy will be charged in 2019/20.
25. The Local Council Tax Support Scheme was introduced in 2013/14 and it is now timely to review how this is operating and its impact. It is proposed that this be considered for inclusion in the Members Scrutiny Programme.

SECTION 5 – MEDIUM TERM FINANCIAL PLAN 2019-23

Current Approved MTFP

26. The current approved position in March 2018 was as follows:

	2019/20 £'000	2020/21 £'000	2021/22 £'000
Budget Gap	1,476	4,757	3,078

Funding Position

27. Members will recall that the Council are approaching the end of a 4 year financial settlement from the Government which ends in 2019/20 to coincide with the original parliamentary cycle. There are a number of funding streams outside of this settlement, notably New Homes Bonus, Public Health Funding and the Better Care Fund.
28. Funding for Children’s and Adults Social Care – A large body of evidence exists highlighting the immediate and long term pressures local authorities are facing in relation to Children’s and Adults Social Care. The Budget in Autumn 2018 announced a limited level of funding to fund short term pressures in 2018/19 and 2019/20 but did not address the long term issues.
29. A key issue facing all Local Authorities is the lack of certainty in funding post 2020 and there are a number of key issues which come together at that time to make planning extremely difficult:
- Spending Review – A Spending Review is scheduled for Spring/Summer 2019. This will inform the quantum of resources available to Local Government and to other Government Departments. It is not currently possible to know whether there will be any changes to the quantum level and what this will mean.
 - Retention of Business Rates – As reported previously, the Government is now working towards business rates retention at a level of 75%, with a target introduction date of April 2020. Despite a significant amount of national work it is still unclear how this system will work and therefore the impact on Stockton.
 - Fair Funding Review – As reported previously, the Government are conducting a review of the formula used to calculate the base level of funding for each Council which is used to redistribute elements of business rates through tariff and top ups. This is an extremely complex area and will result in winners and losers and it is still unclear how this will be introduced. As part of the analysis and lobbying, a paper outlining the impact of funding reductions has been prepared on behalf of the Tees Valley and was presented to Cabinet in December 2018.

The Council will continue to monitor the situation on all these matters extremely closely and participate in working groups and consultation exercises to try and understand the position but all of these things together make planning post 2020 extremely difficult. We do however need to continue to plan ahead and we have rolled forward the plan assuming allocations remain as they are in 2019/20.

National consultations on both Fair Funding and Business Rates Retention were announced in the Provisional Local Government Finance Settlement. The Council will respond to both consultations.

The Government announced as part of the budget additional funding to support Highways work, including that associated with pot holes, Stockton will benefit by £1.1m and plans are being developed on how this will be spent to deliver improvements.

Changes to current expenditure plans

30. There are a number of emerging issues which need to be reflected in the MTFP going forward and these are outlined below:

- Legal Costs – Children’s Services – The volume and complexity of Children’s Social Care activity is driving increased pressures on budgets for legal support to complex care cases. This will mean a pressure for the duration of the MTFP at a level of £500,000 in 2019/20 with this expected to reduce over the course of the MTFP.
- Adult Social Care savings target - Members will be aware from previous reports that the MTFP incorporates a saving on Adult Social Care Management. The service review has commenced with a reorganisation of senior management and further detailed reviews will be undertaken in the new-year with a focus on delivering the savings required. There will however be a delay in delivering the savings so there will be a pressure of £500,000 in 2019/20.
- Adult Deprivation of Liberties Safeguards (DOLS) – The introduction of this legislation has led to a significant financial impact which has extended beyond that originally anticipated. The pressure is expected to be £400,000 in 2019/20 and despite all best efforts this is expected to remain at £200,000 into the future.
- Members will be aware that the work on the Globe Theatre identified problems that were much worse than expected with unsupported walls, badly compacted drainage systems and weaknesses in the roof structure among some of the issues. A project redesign has found solutions to the problems and has recently been announced that the Theatre will open in spring 2020. There will however be costs of Prudential Borrowing associated with these works of £2.5m which will require an additional £135,000 per year.
- Complementing investment in the Globe, Stockton’s Cultural Quarter is experiencing considerable growth with new bars and restaurants supported by the strong music programme in the Georgian Theatre, run by Tees Music Alliance (TMA). TMA are central to efforts to provide support to the local music sector and contribute to capacity building in advance of our bid to secure UK City of Culture status in 2025. To assist TMA in their music development agency role, with a prospect of future matching revenue funding from Arts Council England, there is a need for a further revenue allocation of £60,000 per annum.
- Increases in the cost of energy require to be incorporated into the MTFP.
- Sandgate Shops – longstanding road safety issues continue to have highway network wide implications adjacent to Sandgate Shops due to the parking provision and existing highway layout. £50,000 of funding has been identified to be able to carry out feasibility and implementation of measures to provide additional car parking on the adjacent highway and improve traffic management arrangements to improve road safety.

- Town Centre Support – The Council continues with its commitment to improving all of the Borough’s town centres and has recently announced further ambitious plans to take great control of properties within town centres to support their offer for future generations. The Council currently supports businesses within town centres through revenue allocations to provide limited business rate relief and grants for improving property frontages as new businesses move in or expand. It is proposed that a further £120,000 per annum of this revenue support is continued across the MTFP.
- Community Participation Budgets – the current funding of £400,000 per year is due to expire at the end of 2019/20. This funding allows interventions identified by Elected Members on a ward by ward basis that have a community and environmental merit but would not necessarily attract mainstream funding that is over-subscribed, particularly around highways and environmental priorities. It is proposed that this budget is therefore included within the MTFP for a further three years beyond 2019/20 to 2022/2023.
- Alley Gates – over recent years Council was able to complete a successful programme of alley gates which significantly improved the safety and environment for many communities with rear property access. Recent work within the Council’s two targeted action areas in the centre of Stockton and north Thornaby have highlighted the need to further invest in the replacement and maintenance of alley gates to ensure they remain fit for purpose going forward. It is therefore proposed to include funding across the medium term financial plan to accelerate some of this work and develop an ongoing maintenance programme.
- Thornaby Town Hall Disabled Access – as part of the Council’s continued programme of asset management of public places it has been identified that disabled access to Thornaby Town Hall is not made possible by the layout of the street environment adjacent to it. It is proposed to rectify this at the earliest opportunity with some works external to the building which will facilitate wheelchair access directly into the building at a ground floor level.

31. The changes to current expenditure plans can be summarised as follows:

	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000
Legal Costs – Children’s Social Care	500	400	300	300
Adult Social Care	500			
Adults DOLS	400	200	200	200
Globe Theatre	68	135	135	135
Tees Music Alliance	60	60	60	60
Energy Costs	250	250	250	250
Feasibility Work Sandgate Shops	50			
Town Centre Business Support	120	120	120	120
Community Participation Budgets		400	400	400
Alleygates	60	10	10	10
Thornaby Town Hall Disabled Access	25			
Minor Savings & Pressures	79	61	32	44
Pressures	2,112	1,636	1,507	1,519

Income and Resources

32. There are some areas of additional income which can be brought into the plan.

- Business Rates – When the rate of inflation, as measured by RPI, exceeds that of CPI (September) the Council is currently compensated for the difference in terms of its impact on Business Rates income. This will be received in the form of a Section 31 grant.
- Distribution of Business Rates Levy Account Funding – As highlighted in paragraph 6, a sum of £599,000 will be received in late 2018/19. It is recommended that this be carried forward to support the MTFP in 2020/21.
- New Homes Bonus – In the long term the Government has indicated that it will review how New Homes Bonus operates. In the short term, the Council will receive additional income in 2019/20 relating to the level of new homes in 2018/19.
- Adult and Children’s Social Care Grant – The Chancellor announced in the 2018 Budget a new grant for Adults and Children’s Social Care for one year only (2019/20). The allocation to Stockton is £1,443,949. It is proposed that this grant be utilised to offset the 2019/20 pressures in Children’s and Adults Social Care set out in paragraph 30 above.

33. The unallocated excess General Fund Balances (paragraph 19) are available to support the MTFP in 2019/20.

34. Review of Reserves – The Council keeps the level of its financial reserves under regular review.

a) Fleet Renewal Fund (£0.9m). The Council sets aside a sum each year to fund future fleet vehicle replacements. The level of funding in the reserve has been re-assessed and now exceeds projected future requirements, meaning that there is a reduced requirement to fund the reserve in the short term. A total of £0.9m can be freed up to support the MTFP.

b) A review of grant income received but not spent, which is currently held in reserves, has identified an element with no current commitments identified (£0.438m).

This will be added to those identified previously which will mean that there is £3.2m to support the MTFP.

35. Council Tax - The current plan assumes a Council Tax increase of 2.9% in 2019/20. Members are reminded that any change in the level of council tax will impact on the previously approved position i.e. 1% represents approximately £0.8m.

36. This would mean that the resources outlined below are available:

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Council Taxbase changes	(254)	(308)	(364)	(381)
Business Rates changes	(657)	(505)	(515)	(526)
Business Rates Levy surplus refund 18/19	(53)	(546)		
New Homes Bonus	(665)			
Adults and Children’s Social Care Grant	(1,444)			
Excess Revenue Balances & Unused MS	(515)			
Review of Reserves		(1,338)		
Total	(3,588)	(2,697)	(879)	(907)

Summary Position

37. A summary of the budget position is outlined below:

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Approved Budget Position	1,476	4,757	3,078	3,217
Pressures	2,112	1,636	1,507	1,519
Income and Resources	(3,588)	(2,697)	(879)	(907)
Budget Gap	0	3,695	3,706	3,828

This shows that a balanced budget can be achieved in 2019/20. There remains a pressure of £3.7m in 2020/21, £3.7m in 2021/22 and £3.8m in 2022/23.

38. Paragraphs 27-29 have identified the significant level of uncertainty around funding from 2020 onwards and any long term plans on further reductions could change significantly following further clarity on these issues. Once there is further clarity around the funding position, we will revise the plan for future years and report back to Cabinet and Council. In the meantime we will continue to explore funding opportunities and options to address the 2020/21 position.

39. The updated Medium Term Financial Plan can be re-presented in the format below:

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Income				
RSG	(4,995)	(4,299)	(3,511)	(2,708)
NNDR (incl s31 grants)	(45,064)	(46,138)	(46,388)	(47,302)
New Homes Bonus	(3,001)	(2,085)	(2,328)	(2,225)
Better Care Fund (incl Pooled Budget)	(15,045)	(14,602)	(14,602)	(13,852)
Public Health	(13,544)	(13,544)	(13,544)	(13,544)
Council Tax	(89,143)	(91,954)	(94,760)	(97,600)
<u>Additional Income</u>				
Adult & Children's Social Care Grant	(1,444)			
Excess Revenue Balances & Unused MS	(515)			
Release Of Reserves	(1,900)	(1,338)		
Approved Carry Forward from 2018-19	(2,142)			
Total Income	(176,793)	(173,960)	(175,133)	(177,231)
Expenditure				
Children's Services	36,885	35,648	34,417	34,417
Adults & Health	73,722	75,291	75,291	75,291
Community Services	28,164	28,084	28,044	28,044
Economic Growth & Development	8,186	8,511	8,511	8,511
Culture, Leisure & Events	8,471	8,281	8,231	8,231
Finance & Business Services	8,235	8,335	8,335	8,335
HR, Legal & Communications	4,967	4,767	4,667	4,667
Corporate Areas incl Pay Award Provision from 20/21	596	1,616	3,721	5,911
Admin, Democratic Services & Xentrall	7,567	7,122	7,622	7,652
Total Expenditure	176,793	177,655	178,839	181,059
Revised Budget Position	0	3,695	3,706	3,828

SECTION 6 – CAPITAL PROGRAMME

40. The current Capital Programme as at 31 December 2018 which includes Housing and Town Centre schemes, School Capital, Transport, Ingleby Barwick Leisure Facility, is shown at **Appendix A** and summarised below:

CAPITAL PROGRAMME up to 2021	Current Approved Programme £'000	Programme Revisions £'000	Revised Programme £'000
Schools Capital	50,347	141	50,488
Housing Regeneration & Town Centres Schemes	42,807	32,506	75,313
Transportation	12,305	756	13,060
Other Schemes	28,294	302	28,596
Total Approved Capital MTFP	133,753	33,705	167,457

Reasons for Movements over £100,000

New Schemes

Two new Section 278 schemes funded by developer contributions, have been added to the plan (£471,000).

Additional Funding

Following the Autumn Budget announcement a further £168,978 2018/19 DFG funding has been added to the capital programme.

On 12 December Cabinet/Council approved £30,000,000 prudential borrowing to fund town centre related developments and acquisitions.

As per the 12 December Cabinet report £2,500,000 has been drawn down from funds allocated in February 2017 MTFP to support the demolition of the former Glam nightclub and Post Office Building.

41. The updated Capital Programme 2012 – 2021 is attached at **Appendix B**.

SECTION 7 - BUSINESS RATE RELIEF SCHEME

42. The 2017 Spring Budget introduced some additional changes regarding business rates relief schemes arising from the 2017 business rates revaluation, which included:

- The supporting small businesses scheme introduced from April 2017, for those ratepayers facing large increases due to the loss of small business or rural rate relief, as a result of the revaluation.
- The local discretionary revaluation relief scheme introduced from April 2017, for those ratepayers facing large increases as a result of the revaluation. Funding of £241,000 was awarded in 2017/18 and expenditure regarding the funding of £117,000 allocated for 2018/19 is on target. For 2019/20 further funding of £48,000 has been approved and a revised scheme is currently being developed.

In the 2018 Spring and Autumn budgets, further changes to the business rates relief schemes were introduced including:

- The introduction of a new retail relief scheme from 1 April 2019 for retail properties with a rateable value of below £51,000. Under the scheme, eligible ratepayers will receive a one third discount of their daily chargeable amount. The definition of retail properties is very similar to that specified in the retail relief scheme in 2015. The relief will have effect for 2019/20 and 2020/21 and should be applied when the annual bills are issued. State aid rules will apply to the retail relief in the normal way.

The Pub Relief Scheme introduced in 2017/18 and extended to 2018/19 providing a discount of up to £1,000 for eligible pubs, has not been extended further and will therefore no longer apply after 31 March 2019.

These changes are reflected in the Council's discretionary rate relief policy and the Government will compensate the Council for the loss of income it suffers as a result of the changes.

SECTION 8 – PAY POLICY AND MEMBERS ALLOWANCES

NJC Pay Award 2019

43. The Council has agreed a new pay spine with the Trade Unions which is to be implemented from 1 April 2019. This delivers the second year of the 2-year nationally negotiated pay award.
44. The NJC review of the "Green Book" pay spine has been under national development for some time. The new spine and technical guidance on assimilation were received in June 2018. Since then we have been developing an approach to assimilate the new pay spine to the Council's grading structure.
45. In developing the new grading structure consideration has been given to the following aims and objectives:
 - a. To ensure the proposal does not have any equal pay implications
 - b. To maintain the Council's current job evaluation and differentials in the current grading structure as far as possible
 - c. To remove overlapping grades in the current grading structure which have caused some confusion
 - d. To ensure incremental progression within a grade is appropriate
 - e. To support the Council's commitment to move towards paying the Foundation Living Wage and to The Great Jobs Agenda.
 - f. To deliver a proposal which does not detriment any part of the Council's workforce
 - g. To deliver a proposal which is affordable and within the Council's Medium Term Financial Plan.
46. The new grading structure begins at scp 3 (formerly scp 10) Grade C, this will be **£9.36 per hour from 1 April 2019**. This is well above the current National Living Wage which will be £8.21 per hour from 1 April 2019 and above the Foundation ("Real") Living Wage which was increased to £9 per hour on 5 November 2018. There are currently 655 Council employees who earn less than the Foundation Living Wage (on former scp 10,11 and 12) who will move to an hourly rate above the Foundation Living Wage on 1 April 2019.
47. The introduction of the new pay spine achieves the Council's stated objective of moving towards paying the Foundation Living Wage for Council employees and represents a significant percentage rise across the lower scps. This is in keeping with the recent Council commitment to The Great Jobs Agenda.

48. The new pay and grading structure is included in the Pay Policy Statement 2019/20 at **Appendix C(1)**.

Apprentices

49. The Council continues to pay its apprentices the national minimum wage for age (starting at £4.20 per hour for 16 – 18 year olds increasing to £4.35 per hour from 1st April 2019) rather than the national apprentice rate of £3.70 per hour (£3.90 per hour from 1st April 2019).

Pay Policy Statement

50. The Council's Pay Policy Statement is at **Appendix C**. The Council's median hourly rate and pay multiple, both calculated as at 31st December 2018 is as follows:

- Median Hourly rate is £11.61 (£11.02 at 31st December 2017); and
- Pay multiple is 7.67 (7.93 at 31st December 2017).

Both the median hourly rate and pay multiple have positively changed predominantly due to the bottom loading of the 2018 pay award. In particular the pay multiple is well under the Council's target of 10. It is anticipated that both the median and pay multiple will continue to improve with the introduction of the Council's new pay and grading structure and in line with the Council's commitment to the Real Living Wage and Great Jobs Agenda.

Headcount and FTE

51. Overall the workforce headcount and FTE has slightly increased but this is predominantly due to increases in front-line services. It is recognised that although further financial savings are required, we are unable to continue to achieve savings through staffing levels alone without an impact on service delivery. The Council are therefore looking at other measures to achieve the savings, such as through the SWiS Programme and Lean Reviews, and changing the model of service delivery for example within Adults & Children's Services focusing on Early Intervention and proactive measures to reduce demand on services and improve the support for the residents of the borough.

Headcount and FTE as at 31 December 2018 compared to 31st March 2016, 2017 & 2018 is:

	31 Dec 2018	31 March 2018	31 March 2017	31 March 2016
Headcount	3195	3095	3183	3301
FTE	2498	2414	2458	2550

52. Notwithstanding the slight increase in Headcount and FTE the changes that have been needed to meet the MTFP challenge have had a significant impact on our employees. Overall there has been a reduction in the headcount of the workforce over the last 8 years. The headcount has reduced by 1,065 (25%) from 4,260 as at 31st March 2011 to 3,195 as at 31st December 2018. Total FTE has reduced by 644 (20.5%) from 3,142 as at 31 March 2011 to 2,498 at 31 December 2018.
53. The Council will continue to manage service changes sensitively and proactively and has a long history of doing so. All change will continue to be managed in line with the Management of Organisational Change policy with each service review taken through its own consultation and implementation process. We will continue to minimise redundancies by requiring Director approval to any recruitment to vacant posts, seek expressions of interest in Voluntary Redundancy and reduction in hours (if appropriate) through the review process, and support employees seeking redeployment.

54. We continue to maintain close contact with the Trade Unions, regular update meetings are held with the Trade Unions and the Chief Executive, Deputy Chief Executive and Director of Human Resources, Legal & Communications. We will continue to provide regular updates for employees on the financial situation and provide opportunities for employees to put forward ideas and suggestions. We will also seek to ensure that a package of employee support and targeted training is available to all employees at risk of redundancy and that employees are supported through change.

Officer Appointments To Outside Bodies And Governing Bodies

55. All officer appointments to any Body, including a Governing Body, as a Local Authority representative need to be approved by Cabinet where that Body is concerned with functions which are a Cabinet responsibility, for example education, social care, regeneration.
56. Attached at **Appendix C(2)** is a list of appointments that have been made to external bodies where officers are acting in a Local Authority capacity. It is intended that this list is kept updated and reported to Cabinet annually as part of the MTFP reporting process.
57. It should be noted that the Council's insurance and indemnity arrangements will apply to these appointments as the officer is acting on behalf of the Local Authority. In addition the external Body may have indemnity arrangements in place for its Directors, Trustees or Governors.
58. It is recommended that:
- Council approve the Pay Policy Statement including the new pay and grading structure at **Appendix C and C(1)**.
 - Cabinet approve and note the Officer Appointments to Outside bodies and governing bodies at **Appendix C(2)**.

Members Allowances

59. Members will be aware that allowances have been frozen since 2013/14 and it is proposed that this continues for 2019/20 to support the Council's difficult financial position.

SECTION 9 – PRECEPT LEVELS

Stockton Precept

60. Stockton's current tax level for 2018/19 at Band A (the biggest percentage of its properties) is £1,029.26 (£19.74 per week).

	Band A £	Band D £
2018/19	1,029.26	1,543.88
2019/20	1,059.10	1,588.65

Police Precept

61. The Police & Crime Commissioner has indicated a Council Tax Increase of £24.00 at Band D.

	Band A £	Band D £
2018/19	151.03	226.54
2019/20	167.03	250.54

Fire Authority

62. A report to the Fire Authority on 15 February 2019 outlines a proposed Council Tax increase of 2.9%.

	Band A £	Band D £
2018/19	50.12	75.18
2019/20	51.57	77.36

Parishes

63. Details of the Parish precepts are given below:

Parish	2018/19 Precept £	2019/20 Precept £	Precept Increase/ Decrease £	Precept Increase/ Decrease %	Band D Increase/ Decrease %	LCTS Grant Both Years £	2019/20 TOTAL £
Aislaby & Newsham	0	0	0	0.00%	0.00%	0	0
Carlton	4,498	5,000	502	11.16%	-3.28%	22	5,022
Castlelevington / Kirklevington	13,500	13,500	0	0.00%	-14.53%	348	13,848
Egglescliffe & Eaglescliffe	71,736	56,477	(15,259)	-21.27%	-24.21%	5,446	61,923
Elton	0	0	0	0.00%	0.00%	0	0
Grindon	34,000	0	(34,000)			0	0
Wynyard	0	25,604	25,604			0	25,604
Grindon & Thorpe							
Thewles	0	9,518	9,518			0	9,518
Hilton	2,241	2,311	70	3.12%	2.34%	129	2,440
Ingleby Barwick	155,900	180,300	24,400	15.65%	13.65%	3,445	183,745
Long Newton	11,764	11,764	0	0.00%	0.35%	236	12,000
Maltby	3,504	3,504	0	0.00%	-0.76%	138	3,642
Preston	5,029	5,029	0	0.00%	-1.53%	471	5,500
Redmarshall	3,500	3,900	400	11.43%	12.99%	118	4,018
Stillington & Whitton	8,757	8,957	200	2.28%	-0.96%	1,243	10,200
Thornaby	142,510	146,771	4,261	2.99%	0.59%	36,050	182,821
Wolviston	11,752	12,371	619	5.27%	6.77%	533	12,904
Yarm	118,057	124,358	6,301	5.34%	3.19%	6,141	130,499
Billingham	244,758	260,923	16,165	6.60%	6.81%	23,509	284,432
Total	831,506	870,287	38,781	4.66%	7.53%	77,829	948,116

Overall Tax Position

64. Stockton Borough Council is required to collect tax on behalf of 4 independent organisations:

The Council
Police
Fire

Parishes

The position assuming Stockton Borough Council sets its Council Tax requirement at £89,143,441 is given below:

Tax 2019/20			
	Current 2018/19 (Band A) £	Proposed 2019/20 (Band A) £	Increase %
Police	151.03	167.03	10.59
Fire	50.12	51.57	2.90
Stockton BC	1,029.26	1,059.10	2.90

Formal Tax Recommendations

65. The Council must approve precept/tax in line with statutory guidelines. These are contained at **Appendix D**.

Local Council Tax Support Scheme

66. The Local Government Finance Act imposed a duty upon local councils from 2013/14 to adopt a Local Council Tax Support Scheme (LCTSS) to replace Council Tax Benefit. Members considered a number of options for Stockton's scheme and following public consultation agreed on the "shared reduction" option, with all working age claimants paying a minimum contribution of 20% of the Council Tax charge. Cabinet are asked to recommend to Council that the existing LCTSS is retained for the financial year 2019/20 whilst a review of the scheme takes place. Any future scheme review will require full consultation with the public.

SECTION 10 – CAPITAL STRATEGY

67. The Capital Strategy required to be approved under the relevant code is attached at **Appendix E**.

SECTION 11 - TREASURY MANAGEMENT STRATEGY

68. The Council's Treasury Management Strategy required to be approved is shown at **Appendix F**.

SECTION 12 – INVESTMENT STRATEGY

69. The Investment Strategy required to be approved by statutory guidance is attached at **Appendix G**.

Appendix A

Capital Programme – December 2018

CAPITAL PROGRAMME Up to 2021	Current Approved Programme	Programme Revisions	Revised Programme	Expenditure April 2013 - December 2018
SCHOOL CAPITAL				
School Investment Programme	50,346,646	141,471	50,488,117	8,802,037
SCHOOLS CAPITAL	50,346,646	141,471	50,488,117	8,802,037
HOUSING REGENERATION & TOWN CENTRES SCHEMES				
Housing Regeneration	2,817,058	6,203	2,823,261	179,985
Stockton Town Centre Schemes	35,863,317	0	35,863,317	19,294,867
Reshaping Town Centres	0	30,000,000	30,000,000	7,092
Infrastructure Enhancements & Property Acquisitions	4,126,275	2,500,000	6,626,275	3,042,119
HOUSING REGENERATION & TOWN CENTRES SCHEMES	42,806,650	32,506,203	75,312,853	22,524,063
TRANSPORTATION				
Local Transport Plans	8,731,614	164,108	8,895,722	3,994,912
Other Transport Schemes	2,037,092	61,404	2,098,496	1,467,550
Developer Agreements	1,535,812	530,155	2,065,967	1,677,927
TRANSPORTATION	12,304,518	755,667	13,060,185	7,140,389
OTHER SCHEMES				
Private Sector Housing	2,195,120	194,785	2,389,905	1,230,463
Building Management & Asset Review	794,051	0	794,051	417,509
Parks, Museums & Cemeteries	8,287,944	106,739	8,394,683	3,326,146
Energy Efficiency Schemes	340,000	0	340,000	0
Leisure Facility Ingleby Barwick	13,300,000	0	13,300,000	1,700,173
Other Schemes	3,377,159	0	3,377,159	1,115,541
OTHER SCHEMES	28,294,274	301,524	28,595,798	7,789,832
Total Approved Capital MTFP	133,752,088	33,704,865	167,456,953	46,256,321

Appendix B

Capital Programme

CAPITAL PROGRAMME	Current Approved Programme	New Approvals (Part of Report)	Total
SCHOOL CAPITAL			
School Investment Programme			
Planned Maintenance	4,147,946		4,147,946
Rosebrook School	1,000		1,000
30hr Nursery Provision	779,275		779,275
Early Years Provision	881,378		881,378
Healthy Pupils Capital Fund	134,667		134,667
Secondary School Expansions	13,937,845		13,937,845
SEND Provision	2,763,610		2,763,610
Basic Need Capital Funding	27,842,396		27,842,396
	50,488,117	0	50,488,117
HOUSING REGENERATION & TOWN CENTRES SCHEMES			
Housing Regeneration			
Victoria Estate Regeneration	1,329,694		1,329,694
Elm House Demolition	583,567		583,567
Affordable Housing	910,000		910,000
	2,823,261	0	2,823,261
Stockton Town Centre			
Stockton Town Centre - Infrastructure Projects	447,117		447,117
TH Match Funding	624,200		624,200
Globe Theatre Refurbishment	17,792,000	2,500,000	20,292,000
Northshore Hotel	17,000,000		17,000,000
	35,863,317	2,500,000	38,363,317
Reshaping Town Centres			
Town Centre Developments	30,000,000	0	30,000,000
	30,000,000	0	30,000,000
Other Regeneration Schemes			
Estate Shops	171,275		171,275
Infrastructure Enhancements & Property Acquisition	3,955,000		3,955,000
Glam Post Office Demolition	2,500,000	0	2,500,000
	6,626,275	0	6,626,275
TRANSPORTATION			
LTP - Integrated Transport	2,131,068		2,131,068
LTP - Structural Maintenance	6,764,654		6,764,654
Preston Park Additional Car Parking	158,195		158,195
NPIF 2017-18 - A689 Wolviston and Wynyard Ave	1,377,158		1,377,158
TVCA A689 Wynyard Feasibility	216,323		216,323
LGF Schemes	96,820		96,820
Developer Agreements	2,065,967		2,065,967
Event Security	100,000	0	100,000
Sandgate Shops	50,000		50,000
Eaglescliffe Station Western Access	100,000		100,000
	13,060,185	0	13,060,185

OTHER SCHEMES			
Private Sector Housing			
Disabled Adaptations	2,136,676		2,136,676
Regional Loan Scheme	253,229		253,229
	2,389,905	0	2,389,905
Building Management & Asset Review			
Building Maintenance Programme	494,051		494,051
Stockton Town Hall Renovation	200,000	0	200,000
Travellers Site Maintenance	100,000	0	100,000
	794,051	0	794,051
Parks, Museums & Cemeteries			
Parks Improvement Programme	753,593		753,593
Cemeteries	223,090		223,090
Crematorium & Gardens of Remembrance	7,418,000		7,418,000
	8,394,683	0	8,394,683
Energy Efficiency Schemes			
District Heating Schemes	340,000		340,000
	340,000	0	340,000
Other Schemes			
Foster Care Adaptations	111,311		111,311
Ware Street Development	766,436		766,436
Independent Living LD Bid	202,000		202,000
Joint Venture Investments	493,077		493,077
School Pitches	128,000		128,000
Vehicle Replacement Fund	1,433,509		1,433,509
Leisure Facility Ingleby Barwick	13,300,000	0	13,300,000
Community Centre Support	50,000		50,000
Halcyon Centre	30,000		30,000
Halidon Way Flood Relief Scheme	51,700		51,700
Rosedale Car Park	111,126		111,126
	16,677,159	0	16,677,159
Total Approved Capital MTFP	167,456,953	2,500,000	169,956,953

CAPITAL PROGRAMME	Current Approved Programme	New Approvals (Part of Report)	TOTAL
Government Support	66,992,511	0	66,992,511
Earmarked Resources / Receipts	8,918,822	0	8,918,822
Earmarked Housing Regeneration Receipts	175,913	0	175,913
Prudential Borrowing	75,381,185	2,500,000	77,881,185
Other Contributions	3,243,956	0	3,243,956
Corporate One-Off Resources	12,744,567	0	12,744,567
Total Approved Funding Capital MTFP	167,456,954	2,500,000	169,956,954