

MIDDLESBROUGH COUNCIL

COUNCIL

REVENUE BUDGET, COUNCIL TAX AND PRUDENTIAL INDICATORS 2016/2017

Elected Mayor: David Budd

Chief Finance Officer: Paul Slocombe

2nd March 2016

PURPOSE OF THE REPORT

1. This report presents the recommended Revenue Budget , Council Tax and prudential indicators for 2016/2017

SUMMARY OF RECOMMENDATIONS

2. It is recommended that:
 - a) the budget reductions outlined at Appendix A be approved;
 - b) The budget requirement for 2016/2017 is set at £115,912,000, as detailed in Appendix B.
 - c) Having taken into account the matters set out in Section 32 of the Local Government Act 1992 and the items set out within the report that the Executive agree the basic amount of Council Tax (Band D) for 2016/2017 be £ 1,435.52 being a 3.98% increase in the average (Band D) Council Tax for the whole of the Borough;
 - d) Members approve the basic amount of Council Tax in areas with parish precepts be set at :-

Nunthorpe Parish	£1,438.64
Stainton and Thornton Parish	£1,445.13

- e) Members approve the amounts of Council Tax for each category of dwelling be set in accordance with table 4 of Appendix E within the report ; and
- f) Approve the Treasury Management Strategy, Minimum Revenue Provision Statement, Investment Strategy and Prudential Indicators as outlined in Appendix F.

BACKGROUND AND EXTERNAL CONSULTATION

Consultation

- 3. The Council approved the Strategic Plan 2015/2016 to 2017/2018 on the 25th November 2015. This provided an update in respect of the Council's Medium Term Financial Plan position for the period 2015/16 to 2017/18, outlined the Council's overall approach to deliver saving proposals and set out a summary of individual saving proposals.
- 4. The Elected Mayor set out a series of budget proposals which amounted to £14.1 million.
- 5. A consultation period of approximately 6 weeks has been undertaken, which has included two presentations from the Chief Finance Officer available to all Council members. In addition the Elected Mayor conducted a specific consultation meeting with the business sector on the 11th February 2016.
- 6. The Council received 22 queries/responses to the Consultation process which are summarised below:-
 - Proposed Council Tax Increase (6)
 - Adult Social Care Council Tax Increase (3)
 - Council Tax Support Scheme (4)
 - Saving proposals:-
 - School Crossing Patrols (2)
 - Charge for Bus Station Toilets (1)
 - Social Care workforce remodelling/ Care packages (3)
 - Other (3)
- 7. Following the budget consultation period, the Mayor has confirmed the proposals outlined in the Strategic Plan on the 25th November 2015 would stand other than the proposal in respect of the closure of the Aspire service which will be reconsidered.

Comprehensive Spending Review

- 8. The Comprehensive Spending Review (CSR). set out Central Government broad intentions over the next four years to:-
 - a) reduce the Welfare budget by £12 billion,
 - b) reduce Whitehall budgets by £20 billion, and

- c) produce a £10.1 billion annual surplus.
- 9. An update to the Office of Budget Responsibility (OBR) economic forecasts was provided. This reflected a reduction in the level of national debt as a percentage of Gross Domestic Product from 83.6% to 74.7% over the next 4 years. This is significantly higher than the position as at May 2010 which stood at 62.2%
- 10. In comparing the CSR with previous Government plans, the projections in respect of the level of national debt have been revised upwards and the point at which a potential annual budget surplus may be generated has been extended.
- 11. The level of reduction at each Departmental level varies. The Departments of “Business innovation and Skills”, “Transport”, and “Communities and Local Government” taking the biggest reductions. Included in the CSR is an intention to see support to Local Government reduce by 56%.

Local Government Finance Settlement

- 12. The provisional Local Government Finance Report for 2016/2017 was released on the 18th December 2015. This set out detailed Local government figures on an individual authority basis over a four year period. The provisional settlement was confirmed on the 9th February 2016.
- 13. Middlesbrough Council is facing a £23 million (66%) reduction in Revenue Support Grant over the next four years. In terms of overall Government support (Revenue Support Grant plus Top up Payment) demonstrates a £21 million (37%) reduction. This is in addition to the £69 million budget reductions made by the Council since 2010.
- 14. There is concern as to the assumptions in respect of Revenue Support Grant reduction. Whilst it would appear they are being tempered through the next 4 years, the Government have stated that no Revenue Support Grant will be available in 2020/2021. On face value that means a dramatic one year drop of £11.96 million in 2020/2021 for Middlesbrough.
- 15. The Settlement outlines that the overall spending power for local authorities will reduce by -0.4% over the four year period. For Middlesbrough this figure is -3.8%. If Middlesbrough Council had only received the England average reduction in spending power we would receive additional support of £4.1 million.
- 16. The Governments forecasts for the local share of business rates are considered over-optimistic, given the extent to which business rates appeals are being awarded by the governments Valuation Office and the implications of the health sector relief requests and the governments stated aims to move towards academies. It is not considered that the impact of this has been factored into the business rates income assumptions. In light of these factors we predict the business rates income to be far lower than the assumptions reflected in the Finance Settlement.

17. Information has recently been received in respect of Public Health Grant. The following table identifies the level of reduction in Government support over the period 2015/2016 to 2017/2018, including Public Health Grant.

	2015/2016 Baseline £`m	2016/2017 Allocation £`m	2017/2018 Allocation £`m	Variance 2015/2016 £`m
Revenue Support Grant	34.90	27.64	21.05	-13.85
Top up Payment	21.63	21.81	22.24	0.61
Public Health Grant	19.17	17.67	17.23	-1.94
	75.70	67.12	60.52	-15.18

Revenue Budget 2016/2017

18. In preparing the 2016/2017 draft revenue budget and medium term financial plan, the following principles, consistent with previous years budget strategies and statements made by Executive have been adopted: -

- to ensure that resources are directed to Council priorities in accordance with the agreed Middlesbrough 2020 Vision
- to maximise the efficient, effective and economic use of resources, in conjunction with partners where appropriate,
- to keep Council Tax increases to a minimum
 - The Council will have a view to national assumptions together with unitary authority, regional and local levels of Council Tax.
- to maintain appropriate balances, central provisions and earmarked reserves.
 - appropriate provisions will be made for assessed liabilities
- to make services fully accountable for their own budgets and spending, and enforce a policy of no unauthorised overspending within service areas.
- to maintain appropriate medium term budget planning and monitoring processes, ensuring known commitments are provided for and budgets are set in real terms with the effect on service delivery clearly identified.
 - Structural budget issues will be addressed

- Services will be given, in full, the impact of inflationary increases (including pay awards). No inflation will be provided for general supplies and services, which are expected to be met from efficiency savings
- to ensure effective budget consultation processes are followed.
- to ensure that the impact of legislative changes are considered as part of the budget setting process

Revenue Budget Assumptions 2016/2017.

19.. The following budget assumptions have been applied: -

Pay awards and inflation

20. A provision has been made for the estimated impact of an annual 1% pay award. No inflation has been provided for supplies and services which is expected to be met from efficiency savings. A 1% increase in inflation represents a £1 million cost to the Council.
21. Provision of £1.938 million has been made for the proposed implementation of the living wage. (£0.452 million internal costs and £1.486 million external costs)
22. Income from fees and charges has been assumed to increase on average by 1.0%. This excludes car parking charges and statutory charges.
23. An additional £300,000 has been included in respect of expected Waste Management increased costs.

Safeguarding and Children's Care

24. There are a number of identified potential pressures relating to safeguarding children and young people. These pressures have been based on assumptions in respect of levels of demand and have been adjusted for the impact of savings delivered to date, reducing the net impact on the budget for 2016/17 to £100,000. The budget at Appendix B has been reduced to reflect the impact of savings
25. An assessment of the gross impact of the increased demand on the service is shown below:-

Net pressures	2016/2017 £` Million	2017/2018 £`million	2018/2019 £` Million
Additional In year	1.500	1.500	1.500
Cumulative over MTFP	1.500	3.000	4.500

Social Care

26. Within promoting adult Health and well being, tackling exclusion and promoting social care a provision has been made to address ongoing unavoidable demand led pressures. The current assessment is shown below: -

Net pressures	2016/2017 £` Million	2017/2018 £`million	2018/2019 £` Million
Additional In year	0.400	0.400	0.400
Cumulative over MTFP	0.400	0.800	1.200

Other Changes

27. Provision has been made for the impact of grant changes including New Homes Bonus (£1,067,000), Better Care Fund (£500,000)
28. Additional annual provision of £340,000 has been made in respect of the Councils agreed Capital programme.
29. Additional costs associated with National legislative changes associated with Holiday pay and National Insurances changes of £1.2 million have also been included as part of the draft revenue budget.

Budget Reductions

30. The recommended budget reductions for 2016/2017 are shown at Appendix A and are summarised below
- £6.3 million in relation to ongoing efficiencies/budget reductions and the impact of previous decisions
 - £3.0 million in relation specific proposals subject to consultation prior to the 2016/2017 budget
 - £10.7 million in relation to specific proposals over the medium term which will be subject to individual consultation

Adequacy of Financial Reserves

31. The Council is required to maintain an appropriate level of reserves and balances. Whilst current guidance is not prescriptive, all Authorities are required, when reviewing their medium term financial plans to consider the establishment and maintenance of reserves.

32. Proper consideration has to be given to: -

- a. working balances to help cushion the impact of uneven cash flows and to avoid unnecessary temporary borrowing;
- b. general fund reserves to provide a contingency for the impact of unexpected events or emergencies; and
- c. specific earmarked reserves to meet known or predicted liabilities

33. The Chief Finance Officer has advised that he considers it is appropriate to maintain a minimum of between £4.0 million and £4.5 million over the medium term. This advice is based on the extent to which budget monitoring processes are working effectively, an assessment of financial risks and the extent to which specific provisions are available to meet known and expected liabilities.

34. Appropriate consideration has been given to the level of reserves and balances in that it is important to recognise that balances can only be used once.

35. Our approach has been to phase in the use of balances mitigating reductions to front line services where reasonable but also consider the medium and longer term financial planning.

36. The following table demonstrates our planned use of reserves over the Medium Term.

	2016/2017 £` million	2017/2018 £` million	2018/2019 £` million
Estimated Opening Balance	15.9	12.3	8.5
Planned Use	-3.6	-3.8	-3.8
Estimated Closing Balance	12.3	8.5	4.7

37. The Chief Finance Officer has confirmed that the budget calculations for 2016/2017 are robust in that;

- a. proper medium term budget planning and monitoring processes are in place and maintained which ensure that known commitments are provided for and budgets are set in real terms with the effect on service delivery clearly identified;
- b. appropriate provisions are made within the budget for pay and inflation;
- c. a prudent view of the net costs of the Council's overall cash flow and prudential borrowing is taken;
- d. an analysis of financial risks affecting the budget are completed; and
- e. appropriate consideration is given to the level of Council Tax and external funding available to the Council.

Equality Impact Assessment

38. The Public Sector Equality Duty (PSED) (as set out in the Equality Act 2010) places a statutory duty on the Council in exercising its functions, to have regard to the need to:
 - eliminate discrimination, harassment and victimisation;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
39. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
 - remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
 - encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
40. It must also have due regard to the steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
41. The protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Where proposed decisions may be relevant to one or more of these protected characteristics, the Council is obliged to assess the impact. If there is judged to be an adverse impact on these characteristics that is relevant to the duty above steps are taken to consider whether it can be avoided or mitigated. Where it cannot be avoided or mitigated, a decision can only be taken if it can be justified.

42. Proposals have been developed which protect frontline services and the town's most vulnerable groups as far as possible. The proposals for the 2016/2017 budget were presented to Council on the 25th November 2015:-
- Initiatives requiring no public consultation i.e. either having no public impact, or having been already impact-assessed, mitigated where possible and / or justified. Some internal consultation may be required if the initiatives have a significant impact on employees.
 - Initiatives that will be subject to the impact assessment process and on which the Council will consult prior to implementation in 2016/17.
 - Initiatives that may require separate consultations and / or impact assessments in future years as proposals are further developed.
43. Following this announcement, a screening assessment has been completed. Appendix C sets out the overall Equality Impact Assessment
44. Three of the proposals have been impact assessed as part of this budget setting process and their impact assessments are included at Appendix D. A summary of the assessments are provided below.
- **Removal of patrols at light controlled crossings** – the impact assessment found that the proposal is relevant to the age protected characteristics because of the nature of the service. The proposal would ensure the Council's discretionary school provision aligns with national guidance in relation to provision of school crossing patrols at light controlled crossings. Consultation feedback comprised of 4 responses concerned at the impact of removal of the patrols from Stokesley Road. There is no evidence to suggest that there are exceptional circumstances which would apply to these sites.
 - **Improved quality assurance in assessment and review of individuals to provide greater use of personalised care** - The impact assessment found that the proposal would not impact on the threshold of access to services or on the level of support that is provided once the threshold is met, however they may result in changes to how services are met where there are opportunities to ensure needs continue to be met, within a different package of care, where it is appropriate to do so. There are therefore no concerns that the proposals could result in an adverse impact on current or future service users.
 - **Charge 20p for use of bus station toilets** - The Impact Assessment found that there were no concerns that the proposal could have a disproportionate adverse impact on groups or individuals because they held a protected characteristic because there would continue to be no charge for disabled accessible toilets and staff who are on site at all times when the bus station is open would be able to facilitate access to those toilets for those unable to access toilets otherwise because of access issues.

45. One proposal in respect of the “closure of the Aspire Service” is to be deferred and will be subject to further consultation. This will be brought forward for consideration in 2016/2017.

FINANCIAL IMPLICATIONS

46. The budget prepared on the above principles provides an extra gross £4.9 million investment in key services, including
- Social Care – Children. £1.5 million
 - Social Care – Adults £1.9 million
 - Public Health £1.5 million
47. The 2016//2017 draft budget does minimize impact on front line services, but efficiency savings alone cannot meet the projected gap over the medium term. There will be a requirement to reduce front line services.
48. It is estimated that the Council is required to make the following budget reductions over the next three years.

Budget Reduction requirement	2016/2017 £`m	2017/2018 £`m	2018/2019 £`m	Total £` m
Before use of balances	17.7	16.5	15.1	49.3
Use of balances	3.6	3.8	3.8	11.2
After use of balances	14.1	12.7	11.3	38.1

Determination of Council Tax

49. A number of factors have been considered in respect of the level of Council Tax increase including our current level of Council Tax, the current levels of inflation, pressures from caring for our vulnerable people, the level of budget reductions required and the medium to long term implications of the Governments Autumn Statement and the Local Government Finance settlement 2016/2017.
50. The recognition by Central Government that the increasing costs and responsibilities of adult social care need to be addressed is welcomed. The Government’s proposed solution in allowing Council’s with adult social care responsibilities to increase council tax by up to a further 2% (4% in total) is considered unfair. Those authorities with high demand and low council tax base will not necessarily be able to address the demand needs. Those authorities with lower relative spending needs and higher council tax base will find it more straightforward to address the issue.

51. Consideration should be given in relation to the impact on the local council taxpayer. In essence the government's proposal is to pass on the liability to the local taxpayer, rather than a national distribution of resources to meet what is an agreed national priority. Authorities such as Middlesbrough with significant vulnerable Council Tax payers are disadvantaged by this approach.
52. In recognising that Middlesbrough is seeing increasing demand for Adult Social Care; it is proposed to apply the 2% levy which will generate £800,000 much needed resources to support our most Vulnerable Adult's through a series of preventative and early help initiatives. The Mayor is minded however that the impact on the Council Taxpayer must also be considered. It is proposed therefore that the impact of the charge to our Council Taxpayers (13,000) currently in receipt of Council Tax Support will have the impact of the charge mitigated in 2016/2017 at a cost of approximately £43,000.
53. The Council is required to set a budget for 2016/2017. The budget will determine the level of resources to be made available to services and forms part of the determination of the Council Tax to be levied in 2016/2017.
54. The draft Budget requirement for 2016/2017 is estimated to be £115.912 million as detailed in Appendix B.
55. The basic (Band D) Council Tax for Middlesbrough as a whole is calculated as follows: -

	£	£
Budget Requirement		115,912,000
Less:		
Revenue Support Grant	27,644,536	
Top up Payment	21,810,370	
Local Share of NNDR	19,942,927	
		69,397,833
Net requirements		46,514,167
Council Tax Collection Fund Surplus		-334,915
(a)		46,179,252
Taxbase (b)		32,169
Basic Council Tax (a) / (b)		1,435.52

56. The table at point 55 relates only to Middlesbrough Council's element of the Council Tax and excludes Cleveland Police and Crime Commissioner and Cleveland Fire Authority precepts.

57. The level of Council Tax associated with the budget requirement represents a 3.98% on the current year's level for Middlesbrough Council's element of the Council Tax for those areas without precepts and includes 1.99% Council Tax increase in respect of additional Social Care pressures.

58. The estimated Council tax for the areas of the Council which include parish precepts:-

a) Nunthorpe:-

	£	£
Add Parish precept:	7,000	
Divided by Tax Base	1,980	
Equals		3.54
Band D Tax		1,438.64

b) Stainton & Thornton:-

	£	£
Add Parish precept:	6,500	
Divided by Tax Base	648	
Equals		10.03
Band D Tax		1,445.13

59. Tax levels for the remaining bands are set in varying proportions to the band D level, and are set out in table 1 of Appendix E.

60. Cleveland Fire Authority has set a precept for Middlesbrough of £2,306,517. The council tax levels for 2016/2017 are set out in table 2 of Appendix E.

61. Cleveland Police and Crime Commissioner has set a precept of £6,767,071 and council tax levels for 2016/2017 are set out in table 3 of Appendix E.

62. The total tax to be levied for each band (including Middlesbrough Council, Cleveland Fire Authority, Cleveland Police and Crime Commissioner and Parishes) is set out in table 4 of Appendix E.

63. The overall impact on the band D council tax is as follows:-

Middlesbrough Council	3.98%
Cleveland Police and Crime Commissioner	1.99%
Cleveland Fire Authority	1.90%
Overall Increase	3.65%

Prudential indicators, Investment Strategy and Minimum Revenue Provision

64. The Local Government Act 2003 created a new legal framework for capital investment from April 2004 and Local; Authorities are now required by law to follow the CIPFA Prudential Code.
65. The key objectives of the Prudential Code are to ensure, within a clear framework, the Council's capital programme is affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice.
66. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out indicators that must be used, and the factors that must be taken into account within treasury management.
67. The Prudential Code introduced guidance regarding the way in which surplus funds are invested and guidance requires that an Annual Investment Strategy is approved by Council
68. .The government has released guidance relating to how local authorities set aside some of their revenues as provision for debt repayment. This requires authorities to prepare an annual statement of their policy on for determining the Minimum Revenue Provision.
69. The fundamental objective in considering the affordability of the Council's capital plans is to ensure that the total capital investment of the authority remains within sustainable limits and, in particular, to consider its impact on the local authority's "bottom line" council tax. Affordability is ultimately determined by a judgement about available resources.
70. In considering the affordability of its capital plans, the Council must consider all of the resources currently available to it and estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the following two years. The authority is also required to consider known significant variations beyond this timeframe. This requires the maintenance of three-year revenue forecasts and three-year forward estimates of council tax as well as three-year capital expenditure plans. These are rolling scenarios, not fixed for three years.
71. Appendix F sets out the proposed prudential indicators together with the investment strategy and minimum revenue provision policy.

RECOMMENDATIONS

72. It is recommended that: -

- a) the budget reductions outlined at Appendix A be approved;
- b) The budget requirement for 2016/2017 is set at £115,912,000, as detailed in Appendix B.
- c) Having taken into account the matters set out in Section 32 of the Local Government Act 1992 and the items set out within the report that the Executive agree the basic amount of Council Tax (Band D) for 2016/2017 be £ 1,435.52 being a 3.98% increase in the average (Band D) Council Tax for the whole of the Borough;
- d) Members approve the basic amount of Council Tax in areas with parish precepts be set at :-

Nunthorpe Parish	£1,438.64
Stainton and Thornton Parish	£1,445.13

- e) Members approve the amounts of Council Tax for each category of dwelling be set in accordance with table 4 of Appendix E within the report ; and
- f) Approves the Treasury Management Strategy, Minimum Revenue Provision Statement , Investment Strategy and Prudential Indicators as set out in Appendix F.

REASONS

73. The Council is required under legislation to set a revenue budget and agree the level of Council Tax and prudential indicators for 2016/2017.

BACKGROUND PAPERS

No background papers were used in the preparation of this report:

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