



AGENDA ITEM:

OVERVIEW & SCRUTINY BOARD

DATE: 07 FEBRUARY 2008

REVENUE BUDGET 2008/2009

PAUL SLOCOMBE: DIRECTOR OF RESOURCES

PURPOSE OF THE REPORT

1. This report provides an update in respect of the 2008/2009 Local Government Finance Settlement and sets out the Draft Revenue Budget for 2008/2009 for consideration by the Overview and Scrutiny Board.

BACKGROUND AND CONSULTATION

Local Government Finance Settlement

2. Central Government announced the final 2007/2008 Local Government Finance Settlement on the 24th January 2008. This is in line with the provisional settlement announced in December 2007.
3. Middlesbrough's Formula Grant has been confirmed at £79.452 million.

Consultation

4. Budget consultation has been completed with the appropriate stakeholders in relation to the Budget Strategy, the Medium Term Financial Plan, the draft 2008/2009 Revenue Budget and the issues facing the Council in setting its budget.
5. The consultation has included, Members, Scrutiny, Local Chamber of Commerce and Business Sector representatives, and School representatives, Youth Forum, Middlesbrough Residents, Works Council and Senior Managers across all services within the Council.

Revenue Budget 2008/2009

6. The Council's Revenue Budget has been prepared in accordance with the budget Strategy agreed by Executive on the 8th December 2007: -
- to keep Council Tax increases to reasonable levels
 - 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)
 - to `passport` Education funding increases to the Education Service
 - to ensure effective budget consultation processes are followed.
 - to ensure that the Council's financial strategy reflects the objectives of the Council.
 - The distribution of resources will be driven by the Councils priorities for improved performance and investment
 - to maximise the efficient, effective and economic use of resources, in conjunction with partners where appropriate, and in accordance with local strategic plans and priorities.
 - Services are required to meet the requirements of Gershon, together with the Value For Money (VFM) criteria associated with the Audit Commissions Corporate Performance Assessment criteria.
 - no increase in Social Services (Social Care and Children families and learning) expenditure other than pay awards and inflation or evidenced and established external demand pressures.

- to ensure that the impact of legislative changes are considered as part of the budget setting process
7. A review of the Medium Term Financial Plan was reported to Executive on the 30th January 2008. The report outlined the projected financial position of the Council for the period (2008/2009–2010/2011) and set out the draft 2008/2009 Revenue Budget.
 8. Executive agreed net efficiency savings of £2.0 million in 2008/2009 and an additional budget for future investment budget of £342,000 in accordance with the agreed budget strategy.

Robustness of Budget calculations

9. The Director of Resources advice in setting the 2008/2009 revenue budget is based on work undertaken across all Council Services regarding the detailed preparation of expenditure and income forecasts. It follows a series of consultation meetings with Members, Partners, Community Council Representatives and Council Officers.
10. It is the opinion of the Director of Resources that the budget calculations for 2008/2009 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 effecting the budget are completed; and
 - e. appropriate consideration is given to the level of Council Tax and external funding available to the Council.

Adequacy of Financial Reserves

11. 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.
12. 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

13. The Director of Resources has advised that he considers it is appropriate to maintain a minimum of between £4.5m 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 made to meet known and expected liabilities.

14. Indicated within the following table is the expected general reserves position at 1/4/2008: -

	£`000s
As at 31 March 2007	5,740
2007/2008 Estimated Outturn	168
Planned use in 2007/2008	-747
	5,161

15. Appropriate earmarked provisions have been made for known liabilities, including equal pay and insurance liabilities.

FINANCIAL IMPLICATIONS

- 16. The Council is required to set a budget for 2008/2009. 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 2008/2009.
- 17. The Budget requirement for 2008/2009 will be £126.348 million as detailed in Appendix A.
- 18. The basic (Band D) Council Tax for Middlesbrough as a whole is calculated as follows: -

	£	£
Budget Requirement		126,348,000
Less:		
Revenue Support Grant	9,708,852	
NNDR	69,743,572	79,452,424Cr
Net requirements		46,895,576
Council Tax Collection Fund Surplus		-52,455
(a)		46,843,121
Taxbase (b)		39,772
Basic Council Tax (a) / (b)		£1,177.7909

19. The table at point 18 above relate only to Middlesbrough Councils element of the Council Tax and exclude Cleveland Police Authority and Cleveland Fire Authority precepts.
20. The level of Council Tax associated with the budget requirement represents a 4.9% increase on the current year's level (for Middlesbrough Council's element of the Council Tax)

RECOMMENDATIONS

21. It is recommended that OSB consider the recommendations to Executive: -
- The budget requirement for 2008/2009 (including Parish Precepts) be set at £126.348 million as detailed in Appendix A.
 - 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 Executive agree the basic amount of Council Tax (Band D) for 2008/2009 be £1,177.7909 being the average (Band D) Council Tax for the whole of the Borough.

REASONS

22. The Council is required under legislation to set a revenue budget and agree the level of Council Tax for 2008/2009.

BACKGROUND PAPERS

The following background papers were used in the preparation of this report: -

- Revenue Support Grant report 2008/2009
- Strategic service budgets 2007/2008
- 2007/2008 Service Outturn reports December 2007
- Medium Term Financial Plan 2008/2009 – 2011/2012
- Councils agreed Budget Strategy

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REVENUE BUDGET 2008/2009

	£`million	£`million
Service Expenditure		
Environment & Neighbourhood Services	24.566	
Children Families & Learning	22.521	
Regeneration	8.142	
Social Care	35.267	
Chief Executive Services (Including Performance and Policy and HR)	2.459	
Legal and Democratic Services	2.550	
Strategic Resources	22.313	
Corporate	1.951	119.769
Levies		
Environment Agency	0.093	
River Tees Port Health Authority	0.065	0.158
Central provisions		
Provision for Pay awards and contingency	0.651	
Investment Fund	0.342	
Job Evaluation	0.329	
Right to buy Receipts	-0.923	
Net Capital financing costs	6.196	
Ex DSO non-trading Costs	0.328	
Designated authority costs	0.040	
Custodian Properties	0.135	7.098
Net spending		127.025
Contribution from Reserves and Provisions		-0.691
Net revenue budget		126.334
Parish Precepts		
Nunthorpe		0.009
Stainton and Thornton		0.005
Net Revenue budget (inc. Precepts)		126.348
Funded by		
External support		79.452
Council Tax		46.844
Collection Fund Balance		0.052
		126.348