



AGENDA ITEM:

OVERVIEW & SCRUTINY BOARD

DATE: 07 FEBRUARY 2008

**REVIEW OF MEDIUM TERM FINANCIAL PLAN 2008/2009 – 2010/2011
AND REVENUE BUDGET 2008/2009**

PAUL SLOCOMBE: DIRECTOR OF RESOURCES

PURPOSE OF THE REPORT PURPOSE OF THE REPORT

1. This report outlines the updated medium term financial position for 2008/2009 to 2010/2011 and sets out proposals to address the funding gap identified within the report to Executive on the 20th December 2007.

BACKGROUND

2. Executive considered a report on the 20th December 2007 that set out the Medium Term Financial Plan for the ongoing period and the basis upon which the financial assumptions had been made. The report identified the following projected budget gaps based on the Councils Budget strategy and the assumptions outlined within the report:

	2008/2009 £`million	2009/2010 £`million	2010/2011 £`million
Projected Expenditure	129.166	135.244	140.381
Projected Resources	126.276	130.806	135.064
Projected Gap	2.890	4.438	5.317

3. Two key exercises have now been completed; firstly a full review of the Medium Term financial plan has been undertaken and secondly all Directorates have examined opportunities for efficiency savings across their services.

REVIEW OF MEDIUM TERM FINANCIAL PLAN

4. The Director of Resources has undertaken a review of the Medium Term Financial Plan and has identified a number of variances which are summarised in the table below and explained in paragraphs 5 –8

	2008/2009 £`million	2009/2010 £`million	2010/2011 £`million
Pension Fund Contribution	-0.900	-0.900	-0.900
Review of Pay award provision	-0.324	-0.289	-0.305
Review of Inflation	0.268	0.268	0.268
Review of Growth items	-0.273	-0.173	-0.173
	-1.229	-1.094	-1.110

5. Confirmation has been received from the Teesside Pension Fund actuary that the Councils required contribution to the Pension Fund has reduced from 19.5% to 17.4%. This is a reflection of the improved performance across the Teesside Pension Fund; as at 31 March 2008 it is expected that Middlesbrough's element of the fund will be 92.3% provided (78.9% provided at 31 March 2005). The net reduction in the required contribution from The Council is approximately £0.9million per year for the three year period to 31st March 2011.
6. The Medium Term Financial Plan has previously assumed a 3% pay award. Given the strong guidance from Central Government in respect of pay increases it is proposed to provide at a level of 2.5% in 2008/2009.
7. A review of increases in fuel prices has identified additional pressures of £0.368 million in 2008/2009, this has been offset by a review of other inflation -£0.100 million
8. All growth items have been reviewed. The following reductions are proposed for consideration:-
 - a) the requirement to address the structural budget shortfall in Landscape and Countryside income has reduced by £0.073 million on an ongoing basis. This is a result of natural staff turnover and measures taken by Environment and neighbourhood Services to reduce costs;
 - b) members will recall that under the joint agreement to provide funding towards the development of Middlehaven, the Council has agreed to provide a revenue contribution of £200,000 per annum towards the overall development for a period of 10 years. It is estimated that the likely level of contribution required in 2008/2009 will only be £100,000. This reflects a

rephrasing of the Councils contribution and does not reduce the Council's overall financial commitment to the development

- c) included within the report to Executive on the 20th December was the revenue impact of maintaining Gym equipment within the Council's Leisure and Sports facilities. It is proposed to fund this from available capital resources in 2008/2009 and on an ongoing basis.

9. Following the review of the Medium Term financial Plan the revised position for the next three years, if the above proposals are accepted is as follows: -

	2008/2009 £`million	2009/2010 £`million	2010/2011 £`million
Revised Gap	1.661	3.344	4.207

SERVICE EFFICIENCY SAVINGS

10. Services were requested to identify efficiency savings that equated to 3% of net expenditure. This is consistent with the assumptions made by central government within the Comprehensive Spending Review. Services have submitted proposals for consideration. All proposals have been initially appraised on the basis of efficiency criteria rather than being a reduction in levels of service being provided by the Council.
11. Services were also asked to accommodate additional service pressures within the proposals for efficiency savings. Details of the respective proposals for consideration by members are attached at Appendix A.

FINANCIAL IMPLICATIONS

12. The Impact of the review of efficiency saving proposals, the agreed budget strategy and a 4.9% Council Tax increase is as follows

	2008/2009 £`million	2009/2010 £`million	2010/2011 £`million
Revised Gap (MTFP)	1.661	3.344	4.207
Efficiency saving Proposals	-1,998	-2.505	-2.448

Surplus (Growth)	-0.337		
Deficit		0.839	1.759

13. There is a potential surplus of resources of £337,000 shown for 2008/2009. This is based on all proposals being acceptable to Executive, which would allow for modest growth in priority areas or a reduction in the projected level of Council Tax.
14. Members will be aware that a 1% change in the level of Council Tax for Middlesbrough Council equates to £447,000. The following table provides a summary of the impact on the Council Tax level and the expenditure level of the Council: -

2008/2009 Council Tax Increase %	2008/2009 Band D Council Tax £	2008/2009 Expenditure Level £`m	Surplus (-) `Gap` from 2008/2009 Net requirements £`m
4.1	1,168.82	125.942	0.000
4.9	1,177.25	126.276	-0.337

15. Any amendments to the proposals at Appendix A will impact on the extent to which additional resources are available. Executive are asked to consider the schedule, the extent to which surplus resources may wish to be directed for additional areas of investment or used to reduce the level of council tax increase.
16. It is important to note (from the table at 12 above) that there are remaining deficits projected for 2009/2010 and 2010/2011. Services were requested to identify service areas for future review. Appendix B outlines a list of proposed reviews for consideration by executive.
17. All future reviews will consider: the extent to which efficiency savings can be made; investment requirements for the modernisation of service delivery; options for service improvements; and alternative methods of service delivery. Reviews will ensure that appropriate consultation is undertaken, that sound implementation plans are put in place and proper partnership working arrangements are followed. Any implementation costs, Human Resources and service delivery implications will be identified during the reviews.

18. No specific assumptions have been made as to the scale of potential future efficiency savings from the proposed reviews. It is important that a series of reviews are undertaken during 2008/2009 to assist in addressing the projected deficits in future years.
19. The 2008/2009 Revenue Budget will be presented to Executive on the 12th February 2008. Agreed reviews will be included within the Councils Strategic Plan. Overview and Scrutiny Board are considering the report in February 2008. Council will consider the recommended Revenue Budget for 2008/2009 on the 4th March 2008.

RECOMMENDATIONS

20. Member of the Overview and Scrutiny Board are asked to consider the contents of the report.

REASONS

21. The Council is required to set a revenue budget in accordance with legislation for 2008/2009.

BACKGROUND PAPERS

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

- Medium Term financial plan 2008/2009 to 2011/2012
- Revenue Support Grant consultation papers 2008/2009 to 2010/2011

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