



AGENDA ITEM: 7

OVERVIEW & SCRUTINY BOARD

DATE: 10 February 2009

Review of Medium Term Financial Position 2009/2010 – 2012/2013 and Revenue Budget 2009/2010

PAUL SLOCOMBE: DIRECTOR OF RESOURCES

PURPOSE OF THE REPORT

1. This report outlines the updated medium term financial position for 2009/2010 to 2012/2013 and sets out proposals to address the funding gap identified within the report to Executive on the 9th December 2008.

BACKGROUND

2. Executive considered a report on the 9th December 2008 that set out the Medium Term Financial position 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:

	2009/2010 £`million	2010/2011 £`million	2011/2012 £`million	2012/2013 £`million
Projected Expenditure	135.181	141.041	146.760	152.398
Projected Resources	130.828	135.087	139.675	144.480
Projected Gap	4.353	5.954	7.085	7.918

3. Two key exercises have now been completed; firstly a full review of the Medium Term financial plan has been undertaken and secondly all Services have examined

opportunities for efficiency savings across their services in line with agreed Council priorities under the Sustainable Communities Strategy.

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 –7

	2009/2010 £`million	2010/2011 £`million	2011/2012 £`million	2012/2013 £`million
Review of Inflation	-0.847	-0.910	-0.912	-0.921
Review of Growth items	0.061	+0.504	+0.845	+1.606
Review of Funding	-0.227	-0.289	-0.300	-0.393
	-1.013	-0.695	-0.367	+0.292

5. Previous Medium Term Financial projections, assumed a 3% increase for pay awards, a 4.5% inflationary increase for running costs and a 4.5% increase for fees, grants and recharges. Additional addition specific provisions were made for the assessed impact of increased prices for energy, fuel and food costs.
6. The inflation assumptions have been revisited in line with current inflation rates, fuel, energy and food prices. Revised assumptions allow for a 4% inflationary increase for running costs and 3.75% for grants and 4.0% for fees and recharges. Provision has also been made for the impact of increased foster carers allowances.
7. All growth items have been reviewed. The following amendments are proposed for consideration: -
- a) members will recall that under the joint agreement to provide funding towards the development of Middlehaven, the Council has agreed to provide revenue support of £200,000 per annum towards the overall development for a period of 10 years. Provision of £100,000 per annum has been provided for from within the current 2008/2009 budget on an ongoing basis. It is estimated that the likely level of contribution required in 2009/2010 can be met from the existing resources. This reflects a rephrasing of the councils contribution and does not reduce the council's overall financial commitment to the development
 - b) an additional £200,000 has been provided for grant fall-out in respect of the Environmental enforcement team.
 - c) the council has planned for the impact of the Middlesbrough partnership to ensure that existing services, systems and processes are developed. Following a review of the Middlesbrough Partnership budget it is now considered that an additional planned investment of £250,000 is not required in 2009/2010.

- d) all growth items within services have been reviewed, including, provision for the implications of Vat Changes, grant adjustments, concessionary fares and demand led pressures within Social care and Children Families and Learning. This net impact is an additional requirement of £383,000
- e) a review has been undertaken as to central government funding from general grants, including the Formula Grant and Area Based Grants. This together with a review of the Councils Collection Fund has identified savings of £227,000

8. Following the review of the Medium Term financial position, if the above proposals are accepted the position is as follows:-

	2009/2010 £`million	2010/2011 £`million	2011/2012 £`million	2012/2013 £`million
Revised Gap	3.340	5.259	6.718	8.026

EFFICIENCY SAVINGS

- 9. 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. All 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.
- 10. Efficiency savings have been categorised in accordance with running costs, income and service reviews.
 - a) Running costs savings have been based on management driven efficiencies, procurement and service delivery;
 - b) Increases in income have taken account where appropriate of comparable charging levels elsewhere; and
 - c) 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 cost, Human Resources and Service delivery implications will be identified during the reviews.
- 11. Details of the respective proposals by Sustainable Community Theme are attached at Appendix A and are summarised in the following table:-

Sustainable Community Strategy Theme	2009/2010 £`million	2010/2011 £`million	2011/2012 £`million	2012/2013 £million
Supporting Children and Young people	1.025	1.351	1.503	1.503
Promoting Adult health and well-being, tackling exclusion and promoting Social Care	0.724	0.802	0.817	0.817
Securing Environmental sustainability	1.088	1.218	1.218	1.218
Enhancing the Local Economy	0.322	0.568	0.673	0.673
Fit for Purpose	0.308	0.359	0.335	0.335
Net efficiency savings	3.467	4.298	4.546	4.546

FINANCIAL IMPLICATIONS

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

	2009/2010 £`million	2010/2011 £`million	2011/2012 £`million	2012/2013 £`million
Revised Gap (MTFP)	3.340	5.259	6.718	8.026
Efficiency saving Proposals	3.467	4.298	4.546	4.546
Surplus	0.127			
Deficit		0.961	2.172	3.480

13. There is a potential surplus of resources of £127,000 shown for 2009/2010. This is based on all proposals being accepted for implementation. The Council has the option of using the surplus to fund growth in priority areas or alternatively to allow for a reduction in the projected Council Tax increases from 4.9% to 4.6% as shown in the following table: -

2009/2010 Council Tax Increase %	2009/2010 Band D Council Tax £	2009/2010 Expenditure Level £`m	Funds available to support additional investment in services £`m
4.6	1,231.97	130.955	0.000
4.9	1,235.50	131.062	0.127

14. 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.
15. It is important to note from the table at 12 above that there are remaining deficits projected for 2010/2011 to 2012/2013
16. The Medium Term financial Plan does not require any compulsory redundancies to set a balanced budget in 2009/2010. One of the principles which has informed the development of proposals has been to minimize job losses, whilst recognizing that changes in the way services are provided are essential to maximize efficiency and effectiveness. This approach will be continued for subsequent years' budgets. Current proposals include, over the next 4 years, further planned service reviews in a number of areas to ensure that services and structures are up to date, cost effective and fit for purpose. In line with the Council's agreed approach such changes will be the subject of consultation and every effort will be made to use re-deployments, retirements and voluntary redundancies where reductions or large changes are needed. Value for money and efficiency are important parts of the Council's financial planning but plans also recognize the need to discharge the responsibilities of a good employer and to work with the Trades Unions in partnership to ensure that employee interests are always considered as part of the process
17. As part of the budget setting process specific service areas are identified for fundamental review. The review process ensures that options for delivering services are considered on the basis of cost, service delivery and performance. Reviews ensure a robust challenge of performance, cost and service delivery. They offer an opportunity to consider modernisation of services to meet changing and increasingly challenging needs together with new and alternative methods of service delivery.
18. In 2008/2009 we identified services at a net value of £40 million for review (31%) Appendix B sets out the position in respect of reviews agreed for 2008/2009 together with the additional services identified for review from 2009/2010 onwards.

19. The report together with the decisions of Executive will be submitted for consideration by scrutiny, prior to the submission of the Mayors 2009/2010 proposed budget to Executive on the 24th February. Feedback from the various consultation meetings will also be provided at the meeting of Executive on the 24th February.

RECOMMENDATION

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

REASONS

21. Middlesbrough is required to set a revenue budget for 2009/2010 in accordance with the relevant legislation.

BACKGROUND PAPERS

The following papers were used in the preparation of the report

Comprehensive Spending Review 2007
Medium Term Financial Plan 2009/2010 to 2012/2013
2008/2009 2nd Quarters projected Revenue Outturn