

MIDDLESBROUGH COUNCIL

OVERVIEW AND SCRUTINY BOARD

Revenue Budget 2010/2011

Director of Resources: Paul Slocombe

22nd February 2010

PURPOSE OF THE REPORT

1. This report presents the recommended 2010/2011 Revenue Budget to Overview and Scrutiny Board.

BACKGROUND AND EXTERNAL CONSULTATION

Consultation

2. Budget consultation has been completed with the appropriate stakeholders in relation to the Budget Strategy, the Medium Term Financial Plan, proposed budget reductions, the draft 2010/2011 Revenue Budget and the issues facing the Council in setting its budget.
3. The consultation has included, Members, Scrutiny, the Business Sector, School representatives, Youth Council, Local Strategic Partnership, Middlesbrough Residents, Works Council and Senior Managers across all services within the Council.
4. The feedback from the various consultation meetings has been extremely positive. A summary of the completed feedback forms is attached at Appendix A which includes: -
 - a) 96% felt that the presentation met their needs
 - b) 97% felt that the presentation was relevant
 - c) 95% felt that the level of the presentation was about right
 - d) 94% felt the way in which the consultation was presented was good/very good
 - e) 94% felt that the opportunity to ask questions was good/very good
5. Overview and Scrutiny Board are undertaking a review of the approach to budget consultation early in 2010/2011 to seek to maintain and improve the Council's approach to budget consultation.

Revenue Budget 2010/2011

6. The Council's Revenue Budget has been prepared in accordance with the budget Strategy agreed by Executive on the 15th September 2009: -

- to ensure that the Council's priorities, as set out in the Sustainable Community Strategy, the Strategic Plan and the Local Area Agreement, can be appropriately resourced
- to maximise the efficient, effective and economic use of resources, in conjunction with partners where appropriate,
 - Services are required to meet the requirements of Central Government Targets together with the Value For Money (VFM) criteria associated with the Organisational Assessment as part of the Comprehensive Area Assessment
- 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 impact of legislative changes are considered as part of the budget setting process

Service Efficiency Savings/Budget Reductions

7. On the 8th December 2009 it was reported to Executive that a overall gap in resources (at a 2.5% Council Tax increase) of £6.8 million was projected for 2010/2011. The following three key areas were identified for consideration to address the Gap

Key area	Detail	Target Amount £` million
Partnership Savings.	The Council has an annual contract with Mouchel for Direct Services to the value of approximately £23.1 million. Services within the contract are being reviewed to identify potential efficiency savings and opportunities for reductions in Service costs.	1.000
Budget reductions.	Services are reviewing the cost of providing services. This includes staffing costs, non staffing costs, and contract arrangements including Additional Service Provision requests with Mouchel	6.000
Human Resource Initiative savings	The levels of allowances including car allowances are being reviewed together with overtime payments.	1.000

8. Services were required to consider how the Council can make the `best use` of Resources and how unit costs can be improved by:
- a) Reducing inputs for the same outputs (Productivity gains)
 - b) Reducing price for the same outputs (Procurement led reduced costs)
 - c) Greater outputs with the same inputs (Increased Performance)
 - d) Increased outputs exceed increased inputs (Performance driven investment)
9. A series of consultation exercises have been undertaken during December 2009 to February 2010. A number of changes have been made as a result of the various consultation exercises:-
- a) a proposal to reduce the number of call handling staff has been removed (£13,909);
 - b) additional target saving of £30,000 in respect of Members Services including savings on production and supply of documents, hospitality and reduced transport expenses in line with HM Revenue and Customs rates;
 - c) increased energy efficiency target £50,000 including automatic PC switch off; and savings on lighting in administration buildings; and
 - d) review of production of Council documents target saving £25,000;
 - e) asset management/facilities management savings deferred pending review of accommodation and asset strategy (£14,000);

f) no increase in short term car parking charges are proposed for 2010/2011. It is expected that the impact can be accommodated within existing budgets.

10. Details of each proposed efficiency saving and service reduction are attached at Appendix B and are summarised in the following table:-

Service Area	Budget Reduction 2010/2011 £
Regeneration	555,500
Social Care	645,000
Children Families and learning	1,975,000
Environment	1,571,000
Central Services	583,743
	5,330,243
Partnership	631,873
	5,962,116

11. In addition to the above savings it is proposed that, following the consultation exercise a series of additional reviews are undertaken in 2010/2011, including :-

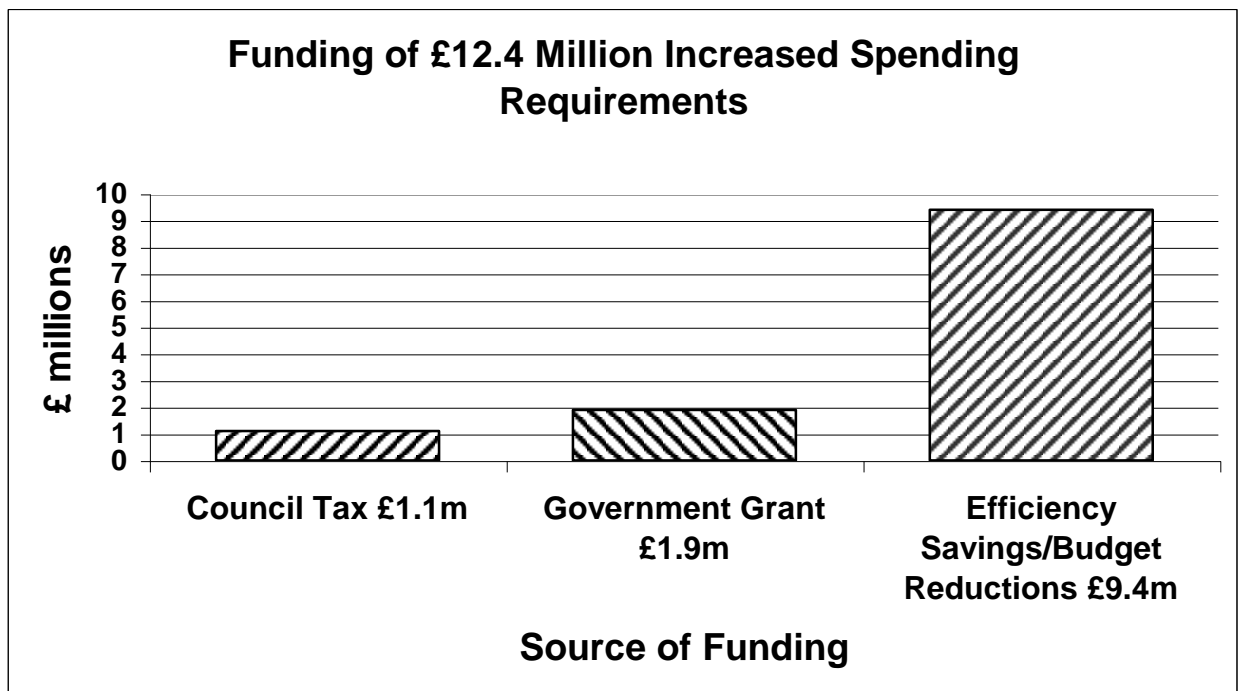
- a) opportunities for joint working with partners;
- b) winter maintenance
- c) levels of administration;
- d) accommodation requirements; and
- e) levels and tiers of management across the Council.

12. The Council is in the process of consultation with Trade Unions in order to achieve savings of £1 million from overtime and allowance payments. These savings are planned to be achieved by reducing the premium rates currently paid for overtime and weekend working alongside reducing Car Allowance lump sum payments and rounding down car mileage payments to the level currently paid to employees with the smallest engine capacity vehicles.

13. Efficiency savings and budget reductions, including the impact of previous years decisions, that have been identified and incorporated into the 2010/2011 draft revenue budget total £9.4 million or 7.2% of our overall net expenditure.

14. It is estimated that since 2004 the Council has made efficiency savings of £26.5 million. This success has been down to the consistent drive to deliver efficiency through our purchasing decisions, our investment in new technology and our willingness to work in partnership across the public, private and voluntary sectors.

15. At the start of the budget preparation process, additional expenditure demands (including inflation) of £12.4 million were identified. The following table provides a summary as to how the additional expenditure demands across the Council have been financed. Approximately 76% has been met from budget reductions and efficiency savings.



16. On a rolling programme basis approximately one third of our overall net expenditure is identified for fundamental review. These reviews consider the extent to which efficiency savings can be made, investment requirements for the modernisation of service delivery together with options to meet changing needs, service improvements and alternative methods of service delivery. Reviews ensure that proper consultation is undertaken, that sound implementation plans are put in place and proper partnership working arrangements are adopted. Costs, Human Resource and Service implications are identified during the reviews that are subject to robust scrutiny and challenge.

Additional spending pressures

17. A number of additional key spending pressures have been identified since the review of the medium term financial position reported to Executive in December 2009. The following items have been included in the 2010/2011 draft budget for consideration by Executive:-
- a. A review of the operating costs and business plan of Ayresome industries has been completed. This has considered likely levels of work from both internal and external sources. A projected subsidy of £158,000 is required to maintain the service in 2010/2011.
 - b. Children Families and learning have identified a requirement for an addition six social workers to deal with the increased service pressures. The estimated cost is approximately £211,000 in 2010/2011, however there will be a consequential reduction in any further calls on external agency staff which can cost significantly more than in-house provision.
 - c. During 2009/2010 the council has incurred additional costs in respect of occupation health initiatives aimed at reducing levels of sickness together with costs associated with CRB checks. This is estimated to cost an additional £70,000 in 2010/2011

- d. The vast majority of posts have now been job evaluated. The completion of the exercise including the consideration of the appeals process has increased the cost to the Council by £217,000.
 - e. Future projections in respect of the Change Programme have identified a further requirement for funding. It is proposed to set aside £1.0 million of available General Balances to meet future claims on the fund
18. The level of contingencies have been revised to accommodate the above additional spending pressures within the overall 2010/2011 revenue budget.

Adequacy of Financial Reserves

19. 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.
20. 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
21. The Director of Resources 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 made to meet known and expected liabilities.
22. At the end of the 2nd Quarters budget clinic a projected net spending pressure of £989,000 was predicted. Work undertaken since then has addressed the spending pressures within existing budgets. Based on the 3rd Quarters budget clinics the Council is now expected to be within our overall budget for 2009/2010

	£`000s
As at 1 April 2009	5,539
Add 2009/2010 Estimated Outturn	32
Less 2010/2011 contribution to Change programme	-1,000
Estimated at 1 April 2010	4,571

Robustness of Budget calculations

23. The Director of Resources advice in setting the 2010/2011 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.
24. It is the opinion of the Director of Resources that the budget calculations for 2010/2011 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.

Equality Impact Assessment

25. An equality impact assessment has been undertaken in term of the overall budget and is attached at Appendix D. Individual equality impact assessments will be undertaken for each service review.

FINANCIAL IMPLICATIONS

26. The budget prepared on the above principles provides an extra £7.2 million investment in key services including:-
 - £3.1 million for Children Families and learning
 - £3.7 million for Social care for older people and disadvantaged groups
 - £0.4 million for Environment, Highways and Transport
27. The views on potential levels of Council Tax have been considered alongside the needs and requirements of residents for key services. Feedback during the consultation process in respect of a potential 2.5% increase was that the Council should maximize efficiency savings and keep any Council Tax increase to a minimum.
28. The Council is required to set a budget for 2010/2011. 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 2010/2011.
29. The draft budget requirement for 2010/2011 is estimated to be £133.575 million as detailed in Appendix C.

30. The basic (Band D) Council Tax for Middlesbrough as a whole is calculated as follows: -

	£	£
Budget Requirement		133,575,000
Less:		
Revenue Support Grant	10,604,240	
NNDR	73,027,288	83,631,528 Cr
Net requirements		49,943,472
Council Tax Collection Fund Deficit		298,320
(a)		50,241,792
Taxbase (b)		39,812
Basic Council Tax (a) / (b)		1,261.98

31. The table at point 30 above relate only to Middlesbrough Council's element of the Council Tax and exclude Cleveland Police Authority and Cleveland Fire Authority precepts.
32. The level of Council Tax associated with the budget requirement represents a 2.5% increase on the current year's level (for Middlesbrough Council's element of the Council Tax).

RECOMMENDATIONS

33. It is recommended that Overview and Scrutiny Board:

a) Note and consider the contents of the report.

REASONS

34. The Council is required under legislation to set a revenue budget and agree the level of Council Tax for 2010/2011.

BACKGROUND PAPERS

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

- a) Revenue Support Grant report 2010/2011
- b) Strategic service budgets 2009/2010
- c) 2009/2010 Service Outturn reports February 2010
- d) Medium Term Financial Plan 2009/2010 – 2013/2014
- e) Councils agreed Budget Strategy

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REVENUE BUDGET 2010/2011

	2009/2010		2010/2011	
	£` million	£` million	£` million	£` million
Service Expenditure				
Environment	26.245		24.482	
Children Families & Learning	23.029		23.830	
Regeneration	8.530		8.171	
Social Care	36.490		39.156	
Chief Executive Services (Including Performance and Policy and HR)	2.451		2.618	
Legal and Democratic Services	2.609		2.456	
Strategic Resources	22.572		21.845	
Corporate	2.027	123.953	2.063	124.620
Levies				
Environment Agency	0.096		0.099	
River Tees Port Health Authority	0.068	0.164	0.041	0.140
Central provisions				
Provisions for Pay and contingencies	0.122		2.247	
HR saving proposals	0.000		-1.000	
Change Programme	0.000		1.000	
Job Evaluation	0.357		0.000	
Right to buy Receipts	-0.191		-0.191	
Net Capital financing costs	6.662		7.891	
Ex DSO non-trading Costs	0.328		0.328	
Designated authority costs	0.040		0.040	
Custodian Properties	-0.015	7.303	-0.015	10.300
Net spending		131.420		135.060
Contribution from Reserves and Provisions		-0.449		-1.497
Net revenue budget		130.971		133.563
Parish Precepts				
Nunthorpe		0.004		0.006
Stainton and Thornton		0.005		0.006
Net Revenue budget (inc. Precepts)		130.980		133.575
Funded by				
External support		81.734		83.631
Council Tax		49.181		50.242
Collection Fund Balance		0.065		-0.298
		130.980		133.575