

# MIDDLESBROUGH COUNCIL

## Overview and Scrutiny Board

Revenue Budget 2011/2012

Director of Strategic Resources

23 February 2011

### PURPOSE OF THE REPORT

1. This report presents the recommended 2011/2012 Revenue Budget to Overview and Scrutiny.

### SUMMARY OF RECOMMENDATIONS

2. Overview and Scrutiny Board members are asked to:
  - a) Note the contents of the report.

### IF THIS IS A KEY DECISION WHICH KEY DECISION TEST APPLIES?

3.

It is over the financial threshold (£75,000)	<input checked="" type="checkbox"/>
It has a significant impact on 2 or more wards	<input type="checkbox"/>
Non Key	<input type="checkbox"/>

### DECISION IMPLEMENTATION DEADLINE

4. For the purposes of the scrutiny call in procedure this report is

Non-urgent	<input checked="" type="checkbox"/>
Urgent report	<input type="checkbox"/>

## **BACKGROUND AND EXTERNAL CONSULTATION**

### **Consultation**

5. 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 2011/2012 Revenue Budget and the issues facing the Council in setting its budget.
6. This was completed in two stages. Stage 1 in December 2010 where the Council published its initial budget reduction proposals. Stage 2 in January 2010, which outlined the Council's financial position for next year and over the medium term. Copies of the initial budget reduction proposals were also provided. The consultation has included, Members, the Business Sector, Youth Council, Voluntary Sector, Local Strategic Partners, Middlesbrough Residents, Works Council and Senior Managers across all services within the Council.
7. The feedback from the various consultation meetings has been extremely positive. A summary of the completed feedback forms are attached at Appendix A which includes: -
  - a) 94% felt that the presentation met their needs
  - b) 97% felt that the presentation was relevant
  - c) 94% felt that the level of the presentation was about right
  - d) 89% 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
8. In addition to the consultation meetings the Council introduced a new additional method of consultation using "You Choose" which is an electronic system to allow consultants to give their views as to the level of spend across Council services. A total of 649 responses were received by the 3<sup>rd</sup> February 2011. A summary of the responses is shown at Appendix B
9. In total, when considering attendance at consultation meetings and responses to "youchoose" there have been 931 participations in the budget consultation process.

### **Central Government Finance Settlement**

10. The Draft Local Government Finance Report was released on the 13<sup>th</sup> December 2010 with the final settlement being confirmed on the 31 January 2011. This set out detailed Local government figures on an individual authority basis for the next two years.
11. The Government's headline statement for the whole of the UK is summarised below: -
  - in total, formula grant will be £29 billion in 2011-12 and £27 billion in 2012-13; An average 4.4% reduction
  - over £4 billion of other grants have been rolled into formula grant; and the number of separate revenue funding streams has reduced from over 100 to around a dozen;

- for 2011/2012 and 2012/2013, the Government has ended ring-fencing on revenue grants for councils, apart from simplified schools grants.
  - Floor damping arrangements are to remain for the next two years
  - The Government has also established a Transition Grant of £96 million for 2011/2012 and £20 million in 2012/2013, to ensure that no authority in receipt of formula grant faces a reduction of more than 8.8% in 'Revenue Spending power' in each of these years.
12. Next year Middlesbrough has received an 8.8% reduction in "Revenue Spending Power" after an allocation of £602,569 transitional grant. This represents a reduction of approximately £15.2 million in "Revenue Spending Power" for 2011/2012. Had Middlesbrough received the average decrease we would have seen our "Revenue Spending Power" deficit reduce by £7.4 million.
13. An additional reduction of £5.9 million in government support is outlined for 2012/2013.
14. Middlesbrough submitted a representation to the Department of Communities and Local Government on the 17th January 2011, which outlined our concerns as to the impact of reductions of this scale on Middlesbrough. The Secretary of State for the Department for Communities & Local Government has been invited to visit Middlesbrough.

### **Revenue Budget 2011/2012**

15. In preparing the 2011/2012 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
  - 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)
- 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 2011/2012.**

16. The following budget assumptions have been applied: -

#### **- Pay Awards and Inflation**

17. Pay awards have been provided for at a £250 increase for employees earning £21,000 or less. No increase has been provided for staff earning more than £21,000. Running costs and other Inflation has been provided at the current Consumer Price Index (CPI) increase of 3.2%. A 1% increase in CPI represents a £1.1 million cost to Middlesbrough Council.
18. An additional Inflationary provision has been made for the assessed impact of increased prices for energy and fuel of £0.2 million.
19. A 5% increase has been estimated in respect of the increased cost of concessionary fares.

#### **- Additional Service Spend**

20. Provision has been made for identified service pressures within Supporting Children and Young People and Care of the Elderly of £2.3 million and £0.750 million respectively. This has been based on the level of current demand and projected increased demand doing 2011/2012
21. Housing right to buy receipts, under the arrangement with Fabrick (Erimus Housing), are expected to reduce by £191,000 in 2011/2012.
22. Funding (£8.9 million) in respect of the working neighbourhoods fund ceases at 31 March 2011. Provision has been made for the Major adaptations scheme for older, vulnerable and disabled residents to enable independent living at home (£43,000), physical security works to assist victims of domestic violence (£77,000) and partnership working (£57,000). These schemes have been identified as those critical to maintaining statutory provision and delivering planned efficiency savings. All other schemes previously funded by Working Neighbourhood Fund Grant will cease.

### **Service Efficiency Savings/Budget Reductions**

23. In December 2010 Members were advised that the Council was facing an overall gap of £13.8 million in 2011/2012 and a gap of £50 million over the next 4 years.

24. General efficiency savings of £6.9 million have been built into the draft Revenue budget as follows.

Key area	Detail	Target Amount £` Million
2010/2011 Savings	The full year effect of efficiency savings, including reduction in staff overtime and allowances.	1.640
Senior Management Structure Review	A review of the top three tiers of management within the organisation is being conducted. Savings have been identified across the top tier for 2011/2012. Further savings will be achieved over the 2 <sup>nd</sup> and 3 <sup>rd</sup> tier.	0.250
Joint Working.	Savings within our Private Public Partnership of £1 million and additional joint working with Local Authorities	1.100
Procurement	Efficiencies from Contract and other procurement. Reduction in Supplies and Services	2.701
Administration	Reduction in levels of administration	0.642
Members Budget	Continued reduction to Members budgets	0.070
Accommodation	Reduction in number of Council buildings and energy efficiency measures	0.600

25. Services were required to consider how the Council can make the `best use` of Resources and how unit costs can be improved by:

- Reducing inputs for the same outputs (Productivity gains)
- Reducing price for the same outputs (Procurement led reduced costs)
- Greater outputs with the same inputs (Increased Performance)
- Increased outputs exceed increased inputs (Performance driven investment)

26. A separate consultation exercise was undertaken in December 2010 where the Councils budget proposals were presented to residents, partners and members. Following the consultation process a number of amendments have been made to the proposals following the consultation and £236,000 has been included within the draft budget to facilitate the efficient and effective delivery of services within the following areas: -

- a. Teen Mover (+£40,000 in 2011/2012: +£60,000 in a full year). Teen Mover extends previous arrangements to cover all 16-19 year olds resident in Middlesbrough (not just those in further education, it includes those in work and training and for any other use as well). It offers half-fare travel all day, 365 days per year, within the 4 boroughs of Teesside on Arriva and Stagecoach buses only. Working Neighbourhoods Fund previously funded this. The mainstream funding of this scheme will be considered as part of a review of support to concessionary travel, which will include consideration for introducing a charge for a pass in line with other concessions for 16-19 year olds
- b. Play schemes. (£50,000): Existing schemes will be re-configured, with partners, in line with current take-up and areas of service need.
- c. Voluntary Sector. (+£50,000): Assistance to the Voluntary Sector to deal with the impact of reduced Government funding. The resource allocation is intended to cover support to relevant consolidation of support and/or restructuring of the Voluntary;
- d. Local Housing/Council Tax benefits service. (+83,000). Service to be maintained on a flexible basis to address current levels of use.
- e. Independent Living for Older People (ILOP) (+8,000): Increased access to service. Review to be undertaken in conjunction with partners to support sustainability and reduced dependency on annual subsidy from the Council.
- f. Local payment offices (+£5,000) : Following concerns raised through the consultation process and a review of the availability of local allpay provision, the local payment office at Thorntree is to be maintained until appropriate local `allpay` provision is available.

27. In addition to the above additional resources being allocated, the consultation process also identified the following areas for further consideration by the Council in 2011/2012:-

- i. review of other tiers of management
- ii. looking at new areas for charges
- iii. opportunities for joint working
- iv. review of Executive Board and Scrutiny Boards
- v. further savings around accommodation
- vi. renegotiation of contract for Big Screen

28. 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 2011/2012 £` Million
Regeneration	1.336
Social Care	1.229
Children Families and learning	1.693
Environment	1.702
Central Services	0.816
	6.776

29. Efficiency savings and budget reductions, including the impact of previous years decisions, that have been identified and incorporated into the 2011/2012 draft revenue budget total £6.9 million which represents 5% of our overall net expenditure.
30. Additional savings of £1.316 million have been achieved through a reduction in the contribution to the Teesside Pension Fund (TPF) as a result of an increase in the level of provision within the TPF for potential liabilities.
31. The following table summarises the net expenditure reductions included within the draft 2011/2012 budget: -

Area	£` Million
Efficiency Savings (Para 22)	6.933
Service efficiencies and reductions (Para 26)	6.776
Pension Fund Contributions (Para 28)	1.316
Total	15.025

32. It is estimated that since 2004 the Council has identified efficiency savings of £44 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.

### **Adequacy of Financial Reserves**

33. 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.
34. 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
35. The Director of Strategic 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 available to meet known and expected liabilities.
36. At the end of the 2<sup>nd</sup> Quarters budget clinic a projected net saving of £305,000 was predicted.

	£` Millions
As at 1 April 2010	5.721
Add 2010/2011 Estimated Outturn	0.305
Less 2011/2012 contribution to Change programme	-1.000
Estimated at 1 April 2011	5.026

### **Robustness of Budget calculations**

37. The Director of Strategic Resources advice, prior to the setting of the 2011/2012 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, Residents, Partners and Council Officers.
38. It is the opinion of the Director of Resources that the budget calculations for 2011/2012 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

39. An overall 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.
40. Consultation has been undertaken as part of the development of proposals; this included members, the business sector, Youth council, voluntary sector representatives, local strategic partners, residents, Works Council and senior managers. This consultation was undertaken via a series of presentations.
41. Respondents to the online consultation “youchoose” were asked to supply equality monitoring information on age, race, gender and disability to ensure the Council could analyse the consultation and disaggregate the results by diversity characteristic to reveal any issues where there were particular concerns expressed by people with a shared diversity characteristic: -

	No.	%
<b>Total respondents</b>	647	100
<b>Monitoring questions</b>	511	78.98

<b>Ethnicity</b>	<b>No.</b>	<b>%</b>
Asian Bangladeshi	1	0.20
Asian Indian	6	1.17
Asian Other	1	0.20
Asian Pakistani	7	1.37
Black African	2	0.39
Black Other	1	0.20
Chinese	4	0.78
Mixed Other	1	0.20
Mixed White Asian	1	0.20
Mixed White Caribbean	1	0.20
Other	7	1.37
White British	467	91.39
White Irish	2	0.39
White Other	10	1.96

<b>Gender</b>	<b>No.</b>	<b>%</b>
Male	279	54.6
Female	232	45.4

<b>Disability</b>	<b>No.</b>	<b>%</b>
Yes	68	13.31
No	443	86.69



49. The level of Council Tax associated with the budget requirement represents a zero increase on the current year's level for Middlesbrough Council's element of the Council Tax for those areas without precepts. In Nunthorpe and Stainton & Thornton, there will be an increase of 0.04% and 0.05% respectively. This has been based on the availability of the £1.252 million of Council Tax Freeze Grant.

## **RECOMMENDATIONS**

50. Overview and Scrutiny Board members are asked to:

- a) Note the contents of the report.

## **REASONS**

51. The Council is required under legislation to set a revenue budget and agree the level of Council Tax for 2011/2012.

## **BACKGROUND PAPERS**

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

- a) Local Government Finance Settlement January 2011
- b) Strategic service budgets 2010/2011
- c) 2010/2011 Service Outturn reports
- d) Medium Term Financial Plan 2011/2012 – 2014/2015
- e) Councils agreed Budget Strategy

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## Appendix C

## DRAFT REVENUE BUDGET 2011/2012

	2010/2011*		2011/2012	
	£` Million	£` Million	£` Million	£` Million
<b>Service Expenditure</b>				
Environment	25.282		22.500	
Children Families & Learning	24.967		26.900	
Regeneration	8.236		7.722	
Social Care	48.705		45.268	
Chief Executive Services (Including Performance and Policy and HR)	2.618		2.238	
Legal and Democratic Services	2.456		2.241	
Strategic Resources	21.845		19.467	
Corporate	2.063	136.172	1.941	128.277
<b>Levies</b>				
Environment Agency	0.099		0.098	
River Tees Port Health Authority	0.041	0.140	0.021	0.119
<b>Central provisions</b>				
Provisions for Pay and contingencies	2.247		1.265	
HR saving proposals	-1.000		0.000	
Change Programme	1.000		0.500	
Right to buy Receipts	-0.191		0.000	
Net Capital financing costs	7.891		8.161	
Ex DSO non-trading Costs	0.328		0.328	
Designated authority costs	0.040		0.040	
Custodian Properties	-0.015	10.300	-0.015	10.279
<b>Net spending</b>		146.612		138.675
Contribution from Reserves and Provisions	-1.497		-0.325	
Council Tax Freeze Grant	0.000		-1.252	
Transitional Grant	0.000	-1.497	-0.603	-2.180
<b>Net revenue budget</b>		145.115		136.495
<b>Parish Precepts</b>				
Nunthorpe		0.006		0.007
Stainton and Thornton		0.006		0.006
<b>Net Revenue budget (inc. Precepts)</b>		145.127		136.508
<b>Funded by</b>				
Formula Grant		95.183		86.345
Council Tax		50.242		50.125
Collection Fund Balance		-0.298		0.038
		145.127		136.508

Note: \* 2010/2011 Revenue Budget has been adjusted for the transfer of £11.552 million of Grants into Formula Grant.