

OVERVIEW AND SCRUTINY BOARD

A meeting of the Overview and Scrutiny Board was held on 23 February 2011.

PRESENT: Councillors Brunton (Chair), Councillors Cole, C Hobson, J Hobson, Ismail, Kerr, Purvis, J A Walker and Williams.

OFFICERS: J Bennington, J Ord and P Slocombe.

**** PRESENT BY INVITATION:** Councillor N J Walker, Executive Member for Resources.

**** DECLARATIONS OF INTEREST**

No declarations of interest were made at this point of the meeting.

REVENUE BUDGET 2011/2012

The Director of Resources presented a report on the recommended 2011/2012 Revenue Budget.

Details were provided of the budget consultation which had been completed with the appropriate stakeholders the feedback from which had been very positive, as demonstrated in Appendix A of the report submitted.

It was noted that the Council had introduced a new method of consultation using 'You Choose' an electronic system. A total of 649 responses had been received a summary of which was shown in Appendix B of the report. In terms of overall numbers attending consultation meetings and responses to 'You Choose' there had been 931 participations in the budget consultation process. In commenting on the convenience of using the 'You Choose' method of consultation Members noted the limits which had been set within the calculations of the electronic system and acknowledged the lack of opportunity to explain the impact of any changes. Specific reference was made to other sources of income, which had been suggested the main of which was the introduction of a charge for the Music Live event.

The Draft Local Government Finance Report had been released on 13 December 2010 with the final settlement being confirmed on 31 January 2011 which set out detailed local government figures on an individual authority basis for the next two years. In overall terms the formula grant represented an average 4.4% reduction. Over £4 billion of other grants had been rolled into formula grant and the number of separate revenue funding streams had reduced from over 100 to around a dozen. In relation to 2011/2012 and 2012/2013 the Government had ended ring-fencing on revenue grants for councils apart from simplified schools grant. An indication was given of the floor damping arrangements, which were to remain for the next two years. The Government had 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 faced a reduction of more than 8.8% in Revenue Spending power in each of those years.

Middlesbrough had received an 8.8% reduction in Revenue Spending Power after an allocation of £602,569 transitional grant, which represented a reduction of approximately £15.2 million in Revenue Spending Power for 2011/2012. An additional reduction of £5.9 million in government support was outlined for 2012/2013.

It was confirmed that Middlesbrough had submitted representations to the Department of Communities and Local Government on 17 January 2011, which outlined concerns as to the impact of reductions on such a scale in respect of Middlesbrough. In response to Members' questions in this regard the Board was advised that an acknowledgement had been received that the comments submitted would be considered. It was also noted that no specific comments had been made so far regarding the invitation for the Secretary of State for the Department of Communities and Local Government to visit Middlesbrough.

Members referred to the overall budget consultation process which had been considered as excellent and thorough and noted the positive feedback and changes which had subsequently been made to the budget proposals. In discussing the responses to the budget consultation in

so far as it related to the presentations an assurance was given that such comments would be taken into account for next year's arrangements and endeavours made to address the issues raised.

The Council's 2011/2012 draft revenue budget and medium term financial plan had been prepared in accordance with the previous years' budget strategies and statements as outlined in the report and agreed by the Executive.

The revenue budget assumptions applied for 2011/2012 included: -

- (a) pay awards had been provided for a £250 increase for employees earning £21,000 or less;
- (b) an additional inflationary provision had been made for the assessed impact of increased prices for energy and fuel of £0.2 million;
- (c) a 5% increase had been estimated in respect of the increased cost of concessionary fares;
- (d) based on current and projected increased demand provision had been made for service pressures of £2.3 million for Supporting Children and Young People and £0.750 million for the Elderly;
- (e) housing right to buy receipts under the arrangement with Fabrick were expected to reduce by £191,000 in 2011/2012.
- (f) funding of £8.9 million in respect of the working neighbourhoods fund would cease at 31 March 2011 but given the critical nature of maintaining statutory provision arrangements had been made for 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).

In discussing charges and the negotiated increased costs associated with concessionary fares it was noted that this was likely based on the average cost of a journey but further clarification would be provided by the Director of Resources together with details of the national concessionary fare scheme in terms of the statutory requirements as to what could be charged.

In response to a Members' query it was confirmed that the housing right to buy receipts were at zero level as a result of no purchases currently being pursued.

In December 2010 Members had been 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 four years. General efficiency savings of £6.9 million had been built into the draft Revenue Budget summarised as 2010/2011 savings (£1,640,000), Senior Management Structure Review (£250,000), joint working arrangements (£1,100,000), procurement (£2,701,000), reduction in administration (£642,000), reduction to Members' budgets (£70,000), reduction in number of Council buildings and energy efficiency measures (£600,000).

Members sought clarification on the extent to which Officers were confident that targets for efficiency savings would be achieved. In response the Director of Resources indicated that he was reasonably confident that such savings could be delivered and gave an assurance that such areas would continue to be monitored and Members would be advised of any arising problems. Although the severity of the budget cuts was acknowledged the Executive Member for Resources referred to the evidence from recent years which demonstrated what the Council had achieved in terms of global figures in meeting targets and doubling efficiency savings.

Services had been required to consider how the Council could make the 'best use' of Resources and how unit costs could be improved by productivity gains, procurement led reduced costs, increased performance and performance driven investment.

A separate consultation exercise had been undertaken in December 2010 following which a number of changes had been made to the proposals and £236,000 had been included within the draft budget to facilitate the efficient and effective delivery of services within the following areas: -

- (i) Teen Mover (+£40,000 in 2011/2012: +£60,000 in a full year);
- (ii) Play schemes (£50,000) ;
- (iii) Voluntary Sector (+£50,000);
- (iv) Local Housing/Council Tax benefits service (+£83,000);
- (v) Independent Living for Older People (+£8,000);
- (vi) Local payment offices (+£5,000).

In addition the consultation process had also identified other areas for consideration in 2011/2012 including a review of other tiers of management; looking at new areas for charges; opportunities for joint working; review of Executive and Scrutiny Panels; further savings around accommodation; and renegotiation of contract for Big Screen. Members sought clarification on such areas and in response it was noted that all matters would be the subject of further reports and Members' consideration.

Details of each proposed efficiency saving and service reduction for 2011/2012 were outlined in Appendix B of the report submitted and summarised as Regeneration £1,336,000; Social Care £1,229,000; Children, Families and Learning £1,693,000; Environment £1,702,000; and Central Services £816,000.

Efficiency savings and budget reductions, including the impact of previous years decisions, that had been identified and incorporated into the 2011/2012-draft revenue budget totalled £6.9 million, which represented 5% of the overall next expenditure.

It was noted that additional savings had been achieved of £1.316 million had been achieved through a reduction in the contribution of the Teesside Pension Fund as a result of an increase in the level of provision within the Fund for potential liabilities.

It had been estimated that since 2004 the Council had identified efficiency savings of £44 million. The Board acknowledged that this had been achieved by the consistent drive to deliver efficiency through purchasing decisions, investment in new technology and willingness to work in partnership across the public, private and voluntary sectors.

It was confirmed that the Council was required to maintain an appropriate level of reserves and balances. It was considered appropriate to maintain a minimum of between £4.0 million and £4.5 million over the medium term based on the level at which budget monitoring processes were working effectively; an assessment of financial risks; and the extent to which specific provisions were made to meet known and expected liabilities.

At the end of the second quarters' budget clinic a projected net spending pressure of £305,000 had been predicted.

An equality impact assessment had been undertaken in terms of the overall budget as outlined in Appendix D of the report submitted.

The Board was advised that the budget had been prepared on the principles outlined which provided an extra £3.3 million investment in key services including; £2.350 million for Children, Families and Learning; £0.750 million for Social Care for older people and disadvantaged groups; £0.115 million for Regeneration; and £0.112 million for other.

Whilst the 2011/2012 draft budget minimised the impact on front line services it was considered that efficiency savings alone could not meet the projected gap over the medium term and there would be a requirement to reduce front line services. The Council budget determined the level of resources to be made available to services and formed part of the determination of the Council Tax to be levied in 2011/2012.

The draft budget requirement for 2011/2012 had been estimated to be £136,506 million as detailed in Appendix C of the report submitted.

The report outlined how the basic (Band D) Council Tax for Middlesbrough as a whole was calculated. The level of Council Tax associated with the budget requirement represented a zero

increase on the current year's level for Middlesbrough Council's element of the Council Tax excluding the Cleveland Police Authority and Cleveland Fire Authority precepts.

It was noted that the Environment Scrutiny Panel had requested clarification and detailed information on the likely impact of the proposed reduction of £400,000 in respect of Area Care which was likely to affect grass cutting and ground maintenance work. Members concurred that the impact of budget reductions and the delivery of services were likely to be the main topic of scrutiny investigation for all of the Scrutiny Panels in the near future.

The Board extended thanks to the Officers concerned for their hard work on what had been achieved with regard to the 2011/2012 Council budget.

ORDERED that the report and information provided be noted.