



MEDIUM TERM FINANCIAL POSITION 2012/2013 – 2014/2015 AND REVENUE BUDGET 2012/2013

**Deputy Mayor and Executive Member for Resources
Councillor David Budd**

11th October 2011

PURPOSE OF THE REPORT

1. This report outlines the medium term financial position for 2012/2013 to 2014/2015 and sets out the estimated draft 2012/2013 revenue budget for consideration by Executive.

BACKGROUND AND CONSULTATION

Introduction

2. The report has been based on the following Factors.

2010/2011 Final Outturn

3. The 2010/2011 Final Outturn was reported to Executive on the 21st June 2011. Overall the Council made approximately a £416,000 net saving against its General Fund Budget for 2010/2011. There were significant pressures across Children looked after and Social Care, which have been met on a temporary basis by savings across the council and the use of provisions and reserves.
4. Efficiency savings of £5.9 million were identified and applied in year.

Current Year's Revenue Budget - 2011/2012

5. The Council set its net revenue budget at £136.508 million in 2011/2012. A Council Tax increase of 2.5% for Middlesbrough Council was applied and is being funded from the Council Tax Freeze Grant
6. In setting this year's budget, identified structural budget issues were addressed, and reductions in service expenditure were applied following consultation internally and with partners and residents. Extra investment of £3.3million was placed in key services including: -
 - a) £2.3 million for Children Families and Learning.
 - b) £0.8 million for social care for older people and disadvantaged groups
 - c) £0.2 million for the Regeneration and other services
7. The first quarter's budget monitoring clinics were held in July 2011 and reported to Executive on the 13th September 2011. A summary of the projected year end position by service is summarised in the following table: -

	At Qtre 1 £'000s
Children, Families and Learning	1,233
Social Care	-48
Environment	487
Regeneration	216
Corporate Services	162
Corporate Costs and provisions	-399
	1,651

Central Government Spending Review and Local Government Finance Settlements.

8. Central Government confirmed the final settlement for 2011/12 and next year on the 31 January 2011. This set out detailed Local government for individual authorities for a two year period.
9. Middlesbrough received in 2010/2011 a reduction in central government support of £15.2 million. An additional reduction of £6.6 million has been outlined for 2012/2013.

Projected 2012/2013 Draft Revenue Budget

10. The 2012/2013 projected revenue budget is attached at Appendix A. The main variances from the current year's budget are summarised below by Community strategy priority and explained in paragraphs 11 to 21.

	£ Million	£ Million
2011/2012 Revenue Budget		137.436
Add variances to current years budget		
Pay awards and Inflation	5.247	
Supporting Children and Young people	1.000	
Promoting Adult health and well-being, tackling exclusion and promoting Social Care	0.750	
Enhancing the Local Economy	0.102	
Technical Changes	0.603	
Capital Programme	1.100	
Other Including use off balances	0.321	
		9.123
2012/2013 Draft Revenue Budget		146.559

Pay Awards and Inflation

11. The current medium term assumptions are being continually revisited. The projections shown within the report are based on information available at 31st August 2011.
12. 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 a current Consumer Price Index (CPI) increase of 3.2%. A 1% increase in CPI represents a £1.2 million cost to Middlesbrough Council.
13. An additional Inflationary provision has been made for the assessed impact of increased prices for energy and fuel of £0.2 million.

Supporting Children and Young People

14. There are a number of identified potential pressures relating to the Supporting Children and Young People Community Strategy theme. These pressures have been based on assumptions in respect of levels of demand.
15. A summary of the current assessment is shown below: -

Year	Net Pressures £`Million
2012/2013	1.000
2013/2014	2.000
2014/2015	3.000

16. The position will be reviewed following the 2nd Quarters budget update.

Promoting Adult health and well-being, tackling exclusion and promoting Social Care

17. Within Promoting Adult Health and well being, talking exclusion and promoting Social Care a provision of £750,000 has been made to deal with ongoing unavoidable demand led spending pressures in 2011/2012.
18. A number of potential pressures and efficiency savings over the Medium Term have been identified, based on an assumption of the level of demand. A summary of the current assessment is shown below: -

Year	Pressures £`Million
2012/2013	0.750
2013/2014	1.500
2014/2015	2.250

Enhancing the local economy

19. Provision has made for ongoing lease payments by the Council in respect of Aurora. Court

Technical changes

20. As part of the Local Government Finance settlement in 2010/2011 Middlesbrough received transitional funding of £603,000. This was provided by Central Government to reduce the impact of reduced Government grant and to ensure our general grant reduction was no higher than 8.8%. It is not expected that this grant will be available on 2012/2013..

Capital programme

21. Additional provision has been made in respect of the Council's Capital programme. This includes additional provision to help advance the Council's Housing Strategy.

Medium Term Financial Plan

22. The Medium Term Financial plan (MTFP) provides an outline of the broad financial position for the period 2012/2013 to 2014/2015. It projects the levels of resources and commitments across the next three-year period, and is used to support strategic policy and service planning across the Council.
23. A budget deficit of £13.8 million is projected for 2012/2013. This is based on the above Medium Term Financial Plan assumptions.
24. Appendix B sets out the expected position over the Medium Term.

Budget Strategy

25. In preparing the 2012/2013 projected 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

Consultation

26: The Council is committed to undertaking appropriate consultation. The elected Mayor at a Council meeting on the 5th October 2011 outlined a series of budget reduction proposals for consultation. A six week consultation period is being undertaken with all stakeholders including:-

- Residents, service users,
- employees
- the works council
- the business sector
- Headteachers/ Governing bodies,
- Health & Social Care Forums,
- Middlesbrough Voluntary Sector
- Middlesbrough Youth Council.
- consultation with other Strategic Partners & Stakeholders (e.g.; Cleveland Police Authority)

Scrutiny:

27. In addition to the above consultation, reports will be taken to the Overview and Scrutiny Board, throughout the budget setting processing to allow full and proper scrutiny of the Medium Term Financial Plan, the Budget Strategy, the 2012/2013 annual revenue budget and to consider, as required by Section 25 of the Local Government Act 2003: -

- a. the robustness of the budget forecasts; and
- b. the adequacy of the proposed level of financial reserves.

FINANCIAL IMPLICATIONS

28 The projections are based on information currently available. The levels of reductions required are significantly higher than those recently required. Whilst all general overhead expenditure will be subject to challenge, the level of reductions can not be met without impact on services delivered to residents.

29. A potential gap, (at a 2% Council tax increase), of £13.800 million is projected for 2012/2013.
- 30 Services are 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)

RECOMMENDATIONS

- 31 It is recommended that the Executive
 - a. Note and consider the contents of the report.
 - b. Considers and approves the budget strategy outlined within the report

REASONS

- 32 The report outlines the expected financial position of the Council for consideration and seeks guidance.

BACKGROUND PAPERS

The following background papers have been used in the preparation of the report:

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- a. 2010/2011 Revenue Outturn Report
- b. Central Government June 2010 Budget announcement
- c. Local Government Finance Settlement – Dec 2011
- d. 2011/2012 Strategic Revenue Budget
- e. 2011/2012 1st Quarters budget clinic reports

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DRAFT REVENUE BUDGET BY SERVICE 2012/2013

Appendix A

	£ Million	£ million
2010/2011 Revenue budget		137.436
Add provision for pay awards & inflation		5.247
Children families and learning		
Children Looked after		
Ongoing demand pressure	1.000	1.000
Social Care		
Net Social Care demand pressures	0.750	0.750
Regeneration		
Ongoing lease/rent payments	0.102	0.102
Capital programme.		
Additional borrowing costs	1.100	1.100
Technical Changes		
Removal; of Transitional grant	0.603	
Other adjustments	0.321	0.924
2012/2013 draft revenue budget		146.559

**Medium term financial plan
2012/2013 – 2014/2015**

	2012/2013 £` Million	2013/2014 £` Million	2014/2015 £` Million
2011/2012 Base budget	137.436	137.436	137.436
Pay awards and Inflation	5.247	11..229	16.948
Supporting Children and Young people	1.000	2.000	3.000
Promoting Adult health and well-being, tackling exclusion and promoting Social Care	0.750	1.500	2.250
Enhancing the Local Economy	0.102	0.102	0.102
Capital programme	1.100	1.500	1.900
Technical Changes	0.924	0.424	0
Net requirements	146.559	154.191	161.636
Use of balances	0.000	0.000	0.000
Adjusted net requirements	146.559	154.191	161.636
Estimated resources (at 2.0% Council tax inc)	132.700	128.068	123.823
Projected GAP/(Surplus)	13.834	26.123	37.813

