



MEDIUM TERM FINANCIAL POSITION 2012/2013 – 2014

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

31st January 2012

PURPOSE OF THE REPORT

1. This report provides an update regarding the medium term financial position for 2012/2013 to 2014/2015.

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 second quarter's budget monitoring clinics were held in October 2011 and reported to Executive on the 6th December 2011. A summary of the projected year end position by service is summarised in the following table: -

	At Qtre 1	At Qtre 2	Variance
	£'000s	£'000s	£'000s
Children, Families and Learning	1,233	1,532	299
Social Care	-48	-538	-490
Environment	487	164	-323
Regeneration	216	125	-91
Corporate Services	162	488	326
Corporate Costs and provisions	-399	-380	19
	1,651	1,391	-250

8. The overall position has improved from that estimated at the end of the first quarter. Measures have been put in place to reduce spending pressures in 2011/2012.

Central Government Spending Review and Local Government Finance Settlements.

9. Central Government outlined the proposed Local Government Settlement for 2012/2013 on the 8th December 2011. This was broadly in-line with that previously indicated.
10. Middlesbrough will receive a £5.9 million reduction in central government support in 2012/2013.
11. An additional reduction of £6.6 million has been outlined for 2012/2013.

Projected 2012/2013 Draft Revenue Budget

12. The main variances from the current year's budget are summarised below and explained in paragraphs 13 to 24.

	£ Million	£ Million
2011/2012 Revenue Budget		136.833
Add variances to current years budget		
Pay awards and Inflation	5.437	
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	0.584	
Technical Changes	0.603	
Capital Programme	1.600	
Other Including use off balances	0.262	
		10.236
2012/2013 Draft Revenue Budget		147.069

Pay Awards and Inflation

13. The current medium term assumptions are being continually revisited. The projections shown within the report are based on information available at January 2012.
14. No provision for pay awards have been provided for in 2012/2013. Overall inflation has been provided at 4.4% based on the Councils spending .A 1% increase in inflation represents a £1.2 million cost to Middlesbrough Council.
15. 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

16. 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.
17. 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

18. The position will be reviewed following the 3rd Quarters budget update.

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

19. 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.
20. 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

21. Provision has made for ongoing lease payments by the Council in respect of Aurora. Court
22. The Councils income target in respect of car parking charges has been reduced by £482,000

Technical changes

23. 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%. This grant is not available in 2012/2013..

Capital programme

24. 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

- 25 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.

- 25 A budget deficit of £13.8 million is projected for 2012/2013. This is based on the above Medium Term Financial Plan assumptions.

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 and outlined further budget reduction proposals on the 14th December 2012. In addition consultation on the Council's overall financial position has been undertaken with stakeholders including:-

- Residents, service users,
- employees
- the works council
- the business sector
- Headteachers/ Governing bodies,
- Middlesbrough Voluntary Sector
- Middlesbrough Youth Sector

Scrutiny:

27. In addition to the above consultation, reports will be taken to the Overview and Scrutiny Board, throughout the budget setting process 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 gap, (at a 3.5% Council tax increase), of £13.800 million is projected for 2012/2013. The Elected Mayor will outline the recommended budget reductions at a report to Council on the 1st February 2012
- 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.

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

Paul Slocombe
Director of Resources

AUTHOR:

Name: Paul Slocombe

Tel no: 729032

