



REVENUE BUDGET 2013/2014

Elected Mayor: Ray Mallon

Director Of Strategic Resources: Paul Slocombe

21st February 2013

PURPOSE OF THE REPORT

1. This report presents the recommended 2013/2014 Revenue Budget to Executive.

SUMMARY OF RECOMMENDATIONS

2. It is recommended that:
 - a) the budget reductions outlined at Appendix A be approved;
 - b) The budget requirement for 2013/2014 is set at £140,410,300 as detailed in Appendix B.
 - c) Having taken into account the matters set out in Section 32 of the Local Government Act 1992 and the items set out within the report that the Executive agree the basic amount of Council Tax (Band D) for 2013/2014 be £1,331.48 being the average (Band D) Council Tax for the whole of the Borough.

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

It is over the financial threshold (£150,000)

It has a significant impact on 2 or more wards

Non Key

DECISION IMPLEMENTATION DEADLINE

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

Non-urgent
Urgent report

x

BACKGROUND AND EXTERNAL CONSULTATION

Consultation

4. The Council's overall financial position was outlined in a report to Executive on the 9th October 2012 which identified a requirement to reduce the Councils net budget by £13 million in 2013/2014 and £33.9 million over the next three years.
5. Detailed consultation in respect of budget proposals has been undertaken :-
 - a. The Elected Mayor, on 22nd October 2012, announced to Council 111 budget reduction proposals amounted to £11 million for consultation
 - b. On the 14th December 2011 the Mayor outlined, following the initial consultation period, changes to the proposals and set out a further 22 new proposals amounting to additional £2.4 million budget reductions for further consultation; and
 - c. Following the second consultation period the Elected Mayor is presenting his updated proposals to Council on the 20th February 2013.
6. A consultation period in excess of over 4 months has been undertaken. There has been significant engagement in the process by stakeholders. The Council has received just under 300 queries and comments in respect of the budget reduction proposals and has received 6 petitions containing, in total over 3,300 signatures. Petitions were presented to a Special Council meeting, for their consideration, on the 18th December 2012.
7. Following the budget consultation period, 7 proposals were withdrawn or amended which equate to approximately £732,000.

Central Government Finance Settlement

8. The Draft Local Government Finance Report for 2013/2014 and 2014/2015 was released on the 19th December 2012 with the final settlement being confirmed for 2013/2014 on the 4th February 2013. This set out detailed Local government figures on an individual authority basis .
9. The impact of the Government's statement is summarised below:-

- The Secretary of State for Communities and Local Government referred consistently to increased “spending power”. This represents funding from grant funding and Council Tax. The overall national average was quoted at an average decrease of 1.4%. Middlesbrough Council was quoted as receiving a 0.2% reduction.
 - This is misleading in that the calculation includes grant funding which also brings additional expenditure with it and replaces current specific grant funding. Any comparison is complicated by the extent of the changes made to the Local Government Finance system. These include
 - the transfer of business rates to Local Government;
 - localisation of Council Tax;
 - national treatment of local homes bonus
 - changes to Early Intervention Grant (EIG) funding
 - roll up of specific grants, including Supporting People funding into Formula Grant; and
 - Education funding in relation to academies/schools
 - The analysis has been completed for 2013/2014 and the “spending power” for Middlesbrough has been calculated as £158.355 million. On a directly comparable basis this represents a £5.886 million (3.6%) reduction in cash terms or £10.156 million (6.2%) in real terms. This is well in excess of the percentage reductions reported by the Government.
10. The position is far worse in 2014/2015 than projected in the current Medium Term Financial Plan. (MTFP). Analysis indicates that we are now facing 8.8% cash reduction in funding in 2014/2015. This equates to a real reduction of 11.4% as compared to the current estimate of 7%. The position is also compounded as it would appear the reduction is also being applied to new funding being transferred into Local Government (e.g. Local Council Tax support grant). The impact of public health grant has been excluded. .A further report updating the overall MTFP will be brought to Executive.

Funding	2013/2014 Baseline £` million	2014/2015 Baseline £` million	Variance £` million	Variance %
Council Tax	40.172	40.172	0	0
Government Grant	103.947	94.827	-9.120	8.8
Total	144.119	134.999	-9.120	6.3

11. Based on the above analysis, it is estimated that Council spending will need to be reduced as follows over the next three years:-
- £13.0 million 2013/2014
 - £16.5 million 2014/2015
 - £15.5 million 2015/2016
 - £13.8 million 2016/2017

Revenue Budget 2013/2014

12 In preparing the 2013/2014 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 in accordance with the agreed Middlesbrough 2020 Vision
- 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 2013/2014.

13. The following budget assumptions have been applied: -

Pay awards and inflation

14 A 1% provision for pay awards has been provided for. Running costs and other Inflation have been provided for at an increase of 2.5%. A 1% increase in inflation represents a £1.2 million cost to the Council.

- 15 An additional inflationary provision has been made for the assessed impact of increased prices for energy and fuel of £0.2 million, together with specific contract inflation.
- 16 Income from fees and charges has been assumed to increase on average by 1.5%. This excludes car parking charges and statutory charges.

Supporting children and young people

- 17 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.
- 18 A specific additional provision of £0.475 million has been provided in 2013/2014 to address Social worker caseload
- 19 A summary of the current assessment is shown below: -

Net pressures	2013/2014 £` Million	2014/2015 £`million	2015/2016 £` Million
Additional In year	1.475	1.400	1.175
Cumulative over MTFP	1.475	2.875	4.050

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

- 20 Within promoting adult Health and well being, tackling exclusion and promoting social care Community Strategy theme a provision of £1,250,000 has been made to address ongoing unavoidable demand led spending pressures in 2013/2014.
- 21 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: -

Net pressures	2013/2014 £` Million	2014/2015 £`million	2015/2016 £` Million
Additional In year	1.250	1.250	1.250
Cumulative over MTFP	1.250	2.500	3.750

Environment – Waste Disposal

- 22 An additional provision (£0.480 million) has made for additional waste plant gate fees due to the ending of the non-fossil fuel obligation subsidy.

Income shortfalls.

- 23 An adjustment (£0.2 million) has been made in respect of a structural budget issue regarding a shortfall in car parking income.

Technical changes

- 24 Provision has been made for the impact of grant changes including New Homes Bonus and Council Tax benefit grant.

Capital programme

- 25 Additional provision has been made in respect of the Council's capital programme. This includes additional provision to help advance the Councils Housing Strategy and the capitalisation of highways and repairs and maintenance expenditure.

Contingencies

- 26 The contingency provision provides for a 1% pay award, contract inflation not yet awarded, grant reduction pressures including Dedicated Schools Grant and Council Tax Support Grant.

Budget Reductions

- 27 The recommended budget reductions for 2013/2014 are shown at Appendix A and are summarised in the following table: -

Service Area	Budget Reduction 2013/2014 £` Million
Neighbourhood & Communities	
- Environment	2.122
- Regeneration	1.097
- Property	0.873
Wellbeing Care and Learning	
- Adult Social Care	4.369
- Children Families & Learning	2.216
Central Services	
- Assistant Chief Executive	0.777
- Legal & Democratic	0.088
- Strategic Resources	1.115
	12.657

Adequacy of Financial Reserves

28. 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.
29. 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
30. 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.
31. At the end of the 2nd Quarter the projected position is that the Council will be within budget after the use of an existing £536,000 provision to meet increased social care demand led pressures.
32. The following table indicates the projected position for Reserves based on the 2nd Quarter :-

	£` Millions
As at 1 April 2012	5.039
2012/2013 Estimated Outturn	0.000
Estimated at 1 April 2013	5.039

Robustness of Budget calculations

33. It is the opinion of the Director of Strategic Resources that the budget calculations for 2013/2014 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 affecting 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

34. The Public Sector Equality Duty (PSED), as set out in the Equality Act 2010, places a statutory duty on the Council in exercising its functions, have regard to the need to:
- a. eliminate discrimination, harassment and victimization;
 - b. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
35. Therefore the Council must ensure that its decisions do not impact disproportionately adversely on people that share a protected characteristic under UK law. The protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Where there is a risk of this, the Council is obliged to consider if the impact can be avoided or mitigated.
36. The Mayor has clearly stated that in developing his budget reduction proposals he seeks to protect frontline services and the town's most vulnerable groups as far as possible. The proposals have also been subject to extensive consultation, resulting in several changes. This is in line with the Mayor's commitment to real engagement with local people in budget setting. To ensure due regard has been given to the requirements of the PSED, and that members are able to fully assess the impact of the proposed budget, each relevant proposal was screened to assess whether an individual impact assessment was required. Impact assessments were not undertaken where:-
- a. it was clear that the proposal would not have an impact on outcomes for customers and service users or staff
 - b. proposals will be brought forward for decision and implementation during 2013-14. Reports will be brought forward in year on these issues and an impact assessment undertaken at that time.

37. As a result of this process 35 screening impact assessments have been completed in addition to a full overarching impact assessment of the proposed budget for 2013/14.
38. Following the assessment process, all the proposals were considered to have no disproportionate adverse impact, either because of the nature of the proposal or because the impact had already been fully mitigated within the proposal design.
39. An impact assessment of the overall budget is attached at Appendix C. Full copies of each individual assessment are also available for inspection in the members' library and will be published on the Council's website.

FINANCIAL IMPLICATIONS

40. The budget prepared on the above principles provides an extra £4.3 million investment in key services, including
 - £1.820 million for care for children and young people
 - £1.250 million for care for older people and vulnerable adults
 - £0.680 million for environment services
 - £0.500 million for other services.
41. The 2013//2014 draft budget does minimize impact on front line services, but efficiency savings alone cannot meet the projected gap over the medium term. There will be a requirement to reduce front line services

Determination of Council Tax

42. A number of factors have been considered in respect of the level of Council Tax increase including our current level of Council Tax, the current levels of inflation, pressures from caring for our vulnerable people, the level of budget reductions required and the medium to long term implications of the Governments Autumn Statement and the Local Government Finance settlement 2013/14 – 2014/15.
43. The impact of the Governments proposed freeze grant has also been considered which has been assessed at an additional requirement for approximately a further budget reduction of £500,000 and an overall shortfall of £12 million over the next 10 years.
44. The Council is required to set a budget for 2013/2014. 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 2013/2014.
45. The draft Budget requirement for 2013/2014 is estimated to be £140.410 million as detailed in Appendix B.
46. The basic (Band D) Council Tax for Middlesbrough as a whole is calculated as follows: -

	£	£
Budget Requirement		140,410,300
Less:		
Revenue Support Grant	60,427,163	
Top up Payment	20,818,990	
Local Share of NNDR	18,896,526	100,142,679
Net requirements		40,267,621
Council Tax Collection Fund Surplus (a)		-95,531
		40,172,090
Taxbase (b)		30,171
Basic Council Tax (a) / (b)		1,331.48

47. The table at point 46 above relates only to Middlesbrough Council's element of the Council Tax and excludes Cleveland Police Authority and Cleveland Fire Authority precepts.
48. The level of Council Tax associated with the budget requirement represents a 1.99% increase on the current year's level for Middlesbrough Council's element of the Council Tax for those areas without precepts.

RECOMMENDATIONS

49. It is recommended that: -
- the budget reductions outlined at Appendix A be approved;
 - The budget requirement for 2013/2014 (including Parish Precepts) is set at £140,410,300 as detailed in Appendix B.
 - Having taken into account the matters set out in Section 32 of the Local Government Act 1992 and the items set out within the report that the Executive agree the basic amount of Council Tax (Band D) for 2012/2013 be £1,331.48 being the average (Band D) Council Tax for the whole of the Borough.
 - a further report be presented to Executive early in 2013/2014

REASONS

50. The Council is required under legislation to set a revenue budget and agree the level of Council Tax for 2013/2014.

BACKGROUND PAPERS

No background papers were used in the preparation of this report:

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