

# MIDDLESBROUGH COUNCIL

## OVERVIEW & SCRUTINY BOARD

Revenue Budget 2014/2015

Elected Mayor: Ray Mallon

Director of Strategic Resources: Paul Slocombe

20<sup>th</sup> February 2014

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### PURPOSE OF THE REPORT

1. To propose the Revenue Budget for 2014/2015

### SUMMARY OF RECOMMENDATIONS

2. It is recommended that:
  - a) the budget reductions outlined at Appendix A be approved;
  - b) The budget requirement for 2014/2015 is set at £130,600,000 as detailed in Appendix B; and
  - 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 basic amount of council tax for 2014/2015 be increased by 1.82% to £1,355.47 being the average 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)	<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

3. 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

4. The Council's overall financial position was outlined in a report to Executive on the 10<sup>th</sup> September 2013 which identified a requirement to reduce the Council's net budget by £22.1 million in 2014/2015 and £67.1 million over the next three years.

5. Detailed consultation in respect of budget proposals has been undertaken :-
  - a. The Elected Mayor, on 20<sup>th</sup> November 2013, announced to Council 40 budget reduction proposals amounting to £14.9 million for consultation; and
  - b. On the 20<sup>th</sup> January 2014 the Mayor outlined, following the consultation period, changes to the proposals
6. A consultation period of approximately 8 weeks has been undertaken. The Council has received 76 responses and comments in respect of the budget reduction proposals and has received 2 petitions containing, in total 1,882 signatures.
7. Following the budget consultation period, 3 proposals were withdrawn or amended which equate to approximately £468,000:-
  - a. Trade Union Facility time (£43,500)
  - b. Community councils (£12,500)
  - c. Staff Terms and Conditions (£412,000)
8. In addition the Mayor announced additional funding of £250 for each Community Council in 2014/2015.

### **Central Government Finance Settlement**

9. The Local Government Finance Report for 2014/2015 and 2015/2016 was provided on the 5<sup>th</sup> February 2014. This confirmed the detailed Local government funding on an individual authority basis. For Middlesbrough it represented a minor change, of increased resources of approximately £9,000, from the provisional settlement provided in December 2013.
10. The impact of the Government's statement is summarised below:-
  - A reduction of £8.6 million in Government grant support is being applied. to Middlesbrough for 2014/2015. This equates to a 5.3% reduction or approximately £62 per head of population
  - On average local authorities have received a 2.9% reduction. Had we received the average reduction an additional £3.91 million would have been available to support services to our residents.
  - Provisional figures have also been provided for 2015/2016 which shows that the estimated reduction in government grant support is to reduce by a further 5.7%. A further reduction of £64 per head of population.
  - Also associated with the settlement is a proposal to stop the Social Fund grant. Members will be aware that the responsibility for this transferred to Local Authorities on the 1<sup>st</sup> April 2013. Middlesbrough receives £954,000 per annum.. This has provided help in approximately 4,000 cases in 2013/2014
11. The position for 2014/2015 is broadly in line with the current Medium Term Financial Plan projections.

12. The following table outlines the level of government support proposed over the next two years together with the adjusted allocation for 2013/2014 :-

	2013/2014 Adjusted £` million	2014/2015 £' million	2015/2016 £` million
Core Services Funding	90.0	80.0	67.0
Council Tax Freeze	1.3	1.2	1.2
Early Intervention Funding	7.6	7.0	6.4
Learning and Disability Health Reform	1.5	1.5	1.5
Other	0.2	0.3	0.2
	100.6	90.1	76.4
Funding Source			
Revenue Support Grant	60.4	49.1	34.3
Retained Business Rates	40.2	41.0	42.1
	100.6	90.1	76.4

13. Based on the above analysis, it is estimated that further budget reductions will need to be made as follows over the period 2015/2016 to 2019/2020 :-

- £25 million 2015/2016
- £20 million 2016/2017
- £14 million 2017/2018
- £13 million 2018/2019
- £13 million 2019/2020

#### **Revenue Budget 2014/2015**

- 14 In preparing the medium term financial plan, the following principles, consistent with previous year's budget strategies and the agreed structure, process and governance arrangements in respect of the Change Programme have been adopted:-

- to ensure that resources are directed to Council priorities through the Council's Change Programme
- to promote transformation and ensure the Council is fit for purpose
- to maximise the efficient, effective and economic use of resources, in conjunction with partners where appropriate,
- to keep Council Tax increases to a minimum
- to maintain appropriate balances, provisions and earmarked reserves.

- to make services fully accountable for their own budgets and spending, through the Middlesbrough Manager Model 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 2014/2015.**

15. The following budget assumptions have been applied: -

#### **Pay awards and inflation**

16. A 1% provision for pay awards has been provided for. Running costs and other Inflation have been provided for at an increase of 2.0% initially but have been offset by efficiency and procurement savings. A 1% increase in inflation represents a £1 million cost to the Council.
17. 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. 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**

18. There are a number of identified potential pressures relating to safeguarding vulnerable children. These pressures have been based on assumptions in respect of levels of demand for placements of looked after children. A specific additional provision of £400,000 and £175,000 has been provided to address Social worker caseload in 2014/2015 and 2015/2016 respectively.
19. An exercise has been completed based on the demographics of Middlesbrough and the expected increase in demand for Children Services.
20. A summary of the current assessment is shown below: -

<b>Net pressures</b>	<b>2014/2015 £`Million</b>	<b>2015/2016 £`Million</b>	<b>2016/2017 £`Million</b>
<b>Additional In year</b>	<b>3.400</b>	<b>3.175</b>	<b>3.000</b>
<b>Cumulative over MTFP</b>	<b>3.400</b>	<b>6.575</b>	<b>9.575</b>

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

- 21 Within Adult Social Care, an annual provision of £2.4 million has been made to deal with estimated ongoing demand led spending pressures.
- 22 An assessment of cost pressures based on an analysis of demographic data predicted demand for services is shown below:-

<b>Net pressures</b>	<b>2014/2015 £`Million</b>	<b>2015/2016 £`Million</b>	<b>2016/2017 £`Million</b>
<b>Additional In year</b>	<b>2.400</b>	<b>2.300</b>	<b>2.300</b>
<b>Cumulative over MTFP</b>	<b>2.400</b>	<b>4.700</b>	<b>7.000</b>

### **Income shortfalls.**

- 23 The Council agreed to trial the introduction of reduced car parking charges for Zetland car park for an initial 6 month period in 2013/2014. The budget makes provision to continue this on an ongoing basis at an increased cost of £300,000 per annum.
- 24 A crematorium is being constructed in Redcar and Cleveland and will impact on the demand for services at Middlesbrough's Crematorium. An allowance of £650,000 has been made within the revenue budget for 2014/2015 for the potential net impact. Work is ongoing to reduce any potential impact.
- 25 Examinations of 2012/2013 year's outturn together with early indications in the current financial year (2013/2014) have identified a structural budget deficit in respect of income from commercial rents and charges of £215,000. Provision for this has been made within the 2014/2015 revenue budget.
- 26 Provision has been made for the impact of grant changes including additional New Homes Bonus (£416,000) and a reduction in Council Tax benefit grant (£100,000).

### **Capital programme**

- 27 Additional annual provision of £400,000 has been made in respect of the Council's agreed capital programme. This includes additional provision to help advance the Council's Housing Strategy, assessed capital receipts and borrowing costs to deliver the approved capital programme.
- 28 It also enables a review of our Capital programme priorities over the next 3- 5 years in line with the Mayor's statement to Council on the 20<sup>th</sup> January 2014. .

### Mitigation

- 29 In presenting the budget reductions, there have been a number of mitigation measures put in place of approximately £7 million including:-

	£`million
a. Efficiency and procurement savings ;	1.9
b. Children and Families demand pressures	1.0
c. Adult Social Care	0.8
d. Maximisation of external funding	2.5
e. reduction in pension contributions	0.8

### Budget Reductions

- 30 The recommended budget reductions for 2014/2015 are shown at Appendix A and are summarised in the following table: -

Service Area	Budget Reduction 2014/2015 £` Million
Neighbourhood & Communities	4.355
Wellbeing Care and Learning	1.937
Corporate and Central Services	8.555
	14.847

- 31 It is estimated that the full year impact of the 2014/2015 savings outlined at Appendix A will provide additional savings of £7 million in 2015/2016 and further savings of £2 million in 2016/2017.

### Adequacy of Financial Reserves

32. 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.

33. 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;
  - c. flexibility to deliver the implementation of planned savings; and
  - d. specific earmarked reserves to meet known or predicted liabilities
  - e. assessed financial risk
34. 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, the scale of planned budget reductions to be implemented and the extent to which specific provisions are available to meet known and expected liabilities.
35. The following table indicates the projected position for General fund Reserves based on a review undertaken at the end of December 2013 :-

	£` Millions
As at 1 April 2013	5.230
2013/2014 Estimated Outturn	0.069
Estimated at 1 April 2014	5.299

### **Robustness of Budget calculations**

- 36 It is the opinion of the Director of Strategic Resources that the budget calculations for 2014/2015 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;
  - a. appropriate provisions are made within the budget for pay and inflation;
  - b. a prudent view of the net costs of the Council's overall cash flow and prudential borrowing is taken;
  - c. an analysis of financial risks affecting the budget are completed; and

- d. appropriate consideration is given to the level of Council Tax and external funding available to the Council.

## **Equality Impact Assessment**

37. 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
- eliminate discrimination, harassment and victimization
  - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
  - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
38. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic
  - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it
  - encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
39. 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. Where it cannot be avoided or mitigated, a decision can only be taken if it can be justified.
40. The Mayor has previously stated that in developing his budget reduction proposals he seeks to protect frontline services and the town's most vulnerable people as far as possible. The proposals have also been subject to extensive consultation, resulting in the withdrawal of two proposals and an amendment to one existing budget reduction proposal. 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 as part of this process where:
- it was clear that the proposal would not have an impact on outcomes for customers and service users or staff



- proposals reference decisions that have previously taken and were subject to the impact assessment as part of that process where required.
41. In addition a number of proposals contain elements which will be brought forward for decision and implementation during 2014/2015. In these cases impact assessment processes have been completed. These impact assessments acknowledge that there will be further impact assessment processes undertaken as details are developed for implementation of proposals during 2014/2015
  42. As a result of this process 25 screening impact assessments have been completed in addition to a full overarching impact assessment of the proposed budget for 2014/15
  43. Following the assessment process, all except four of 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. A number of proposals will revisit the impact assessment process as part of the development of detailed proposals to be approved and delivered during 2014/2015.
  44. One proposal required a stage 2 impact assessment because of the possible impact on the sex and age protected characteristics (proposal to merge Sure Start and Youth Services and put in place a new operating model). The stage 2 impact assessment considered the impact, considered ways it could be avoided and if not avoided, whether it could be mitigated. It found that the proposal to move to a model of universal access with targeted services would reduce access to services for those families with no additional needs. The proposal would also result in redundancies which could disproportionately affect women because of the gender breakdown of the service. The assessment found that these impacts were justified because of the scale of savings that the Council is facing and the need to increase focus on those families that are more at risk of accessing safeguarding services in future.
  45. The proposals to redesign and contract out advice services, renegotiate management costs with TEWV Mental Health Trust and reduce the costs of finance / accountancy will all require further work before they can be assessed and stage 2 impact assessments will be undertaken during 2014/15 as part of the redesign process and a decision on these proposals will be taken in year.
  46. Full copies of each individual assessment are attached to this report along with a summary and an overall impact assessment of the budget process.

## **FINANCIAL IMPLICATIONS**

- 47 The budget prepared on the above principles provides an extra £7 million gross investment in key services (before any budget reductions), including
  - £3.400 million for care for children and young people
  - £2.400 million for care for older people and vulnerable adults
  - £1.165 for income shortfalls.

- 48 The 2014/2015 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

49. 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 Government's Autumn Statement and the Local Government Finance settlement 2014/15 – 2015/16.
50. The impact of the Governments proposed freeze grant has also been considered. The Government set out the referendum criteria on the 5<sup>th</sup> February 2014. An assessment has been undertaken on the basis of the current criteria which indicates, should the Council decide to accept the freeze grant, :-
- an additional requirement for further budget reduction of approximately £400,000 in 2014/2015; and
  - an overall additional gap shortfall of £17 million over the next 10 years .
51. The Council is required to set a budget for 2014/2015. 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 2014/2015
- 52 The draft Budget requirement for 2014/2015 is estimated to be £130.6 million as detailed in Appendix B.
- 53 The basic (Band D) Council Tax for Middlesbrough which is set out in detail within the 2014/2015 Council Tax report, is calculated as follows : -

	£	£
Budget Requirement		130,600,000
Less:		
Revenue Support Grant	49,104,726	
Top up Payment	21,224,555	
Local Share of NNDR	19,136,736	89,466,017
Net requirements		41,133,983
Council Tax Collection Fund Surplus		-133,633
(a)		41,000,350
Taxbase (b)		30,248
Basic Council Tax (a) / (b)		1,355.47

- 54 The table above relates only to Middlesbrough Council's element of the Council Tax and excludes Cleveland Police Authority and Cleveland Fire Authority precepts.

55. The level of Council Tax associated with the budget requirement represents a 1.82% increase on the current year's level for Middlesbrough Council's element of the Council Tax for those areas without precepts.

## **RECOMMENDATIONS**

56. It is recommended that: -

- a) the budget reductions outlined at Appendix A be approved;
- a) The budget requirement for 2014/2015 is set at £130,600,000 as detailed in Appendix B; and
- 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 basic amount of council tax for 2014/2015 be increased by 1.82% to £1,355.47 being the average council tax for the whole of the Borough.

## **REASONS**

57. The Council is required under legislation to set a revenue budget and agree the level of Council Tax for 2014/2015.

## **BACKGROUND PAPERS**

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

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