

AGENDA ITEM: 3a

COUNCIL MEETING

6th MARCH 2009

Revenue Budget 2009/2010

Elected Mayor: Ray Mallon

PURPOSE OF THE REPORT

1. This report sets out the recommended 2009/2010 Revenue Budget for approval by Council.

BACKGROUND AND CONSULTATION

Consultation

2. Budget consultation has been completed with the appropriate stakeholders in relation to the Budget Strategy, the Medium Term Financial Plan, the draft 2009/2010 Revenue Budget and the issues facing the Council in setting its budget.
3. The consultation has included, Members, Scrutiny, the Business Sector, School representatives, Youth Council, Local Strategic Partnership, Middlesbrough Residents, Works Council and Senior Managers across all services within the Council.
4. The feedback from the various consultation meetings has been extremely positive. A summary of the completed feedback forms are attached at Appendix A which includes: -
 - a) 97% felt that the presentation met their needs very well, well or fairly well
 - b) 99% felt that the presentation was relevant
 - c) 95% felt that the level of the presentation was about right
5. A review of the approach to budget consultation will be undertaken early in 2009/2010 to seek to maintain and improve the Councils approach to budget consultation.

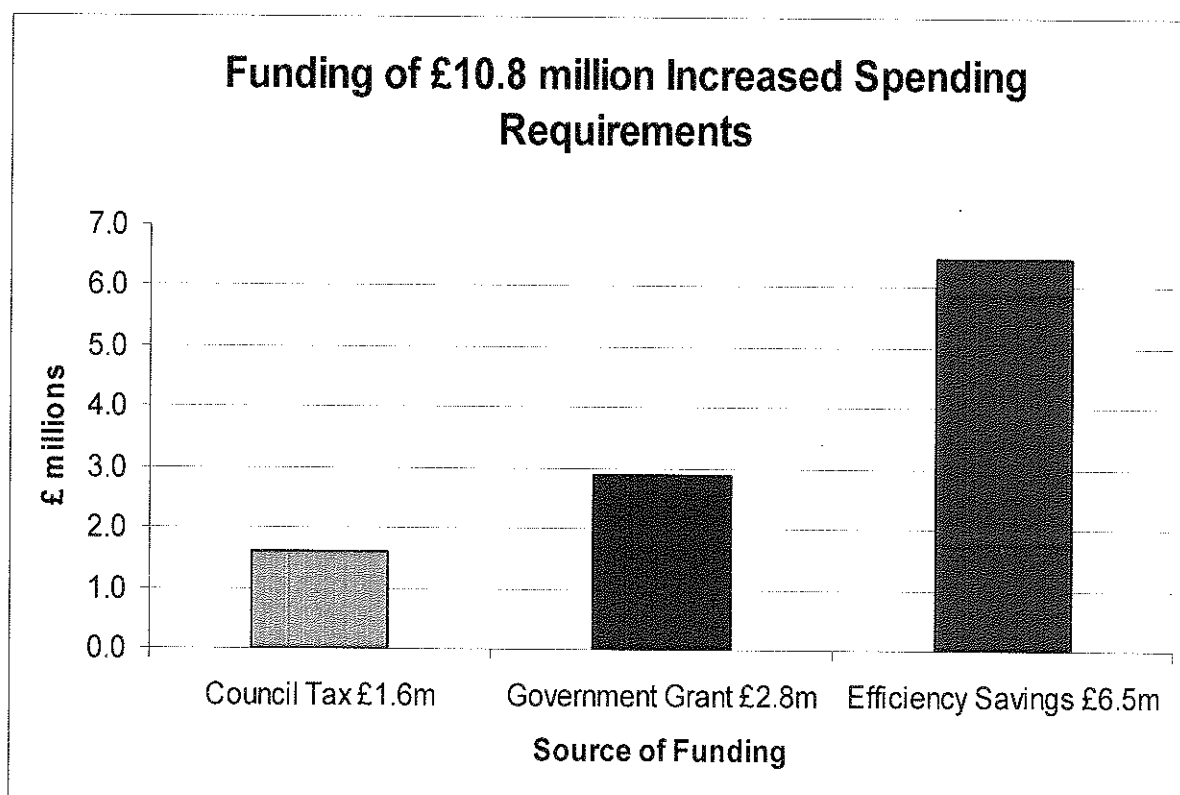
Revenue Budget 2009/2010

6. The Council's Revenue Budget has been prepared in accordance with the budget Strategy agreed by Executive on the 9th December 2008: -
- to ensure that the Council's priorities, as set out in the Sustainable Community Strategy, the Strategic Plan and the Local Area Agreement, can be appropriately resourced
 - to maximise the efficient, effective and economic use of resources, in conjunction with partners where appropriate,
 - Services are required to meet the requirements of Central Government Targets together with the Value For Money (VFM) criteria associated with the Use of Resources assessment as part of the Comprehensive Area Assessment
 - to keep Council Tax increases to reasonable levels
 - 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 `passport` Education funding increases to the Education Service
 - 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

7. A review of the Medium Term Financial Plan and Draft Revenue Budget were reported to Executive on the 3rd February 2009. The report outlined the projected financial position of the Council for the period (2009/2010–2012/2013).

Service efficiency savings

8. Additional efficiency savings of £3.467 million were approved by Executive on the 3rd February 2009 and were categorised as follows: -
- a) Running cost savings, based on management driven efficiencies, and purchasing savings; and
 - b) Increases in income having taken into account where appropriate, comparable charging levels elsewhere
9. Efficiency savings, including the impact of previous years decisions, that have been identified and incorporated into the 2009/2010 draft revenue budget total £6.5 million or 5.1% of our overall net expenditure. This brings the total of Revenue efficiency savings made by Middlesbrough Council over the last 5 years to £26.5 million. This success has been down to the consistent drive to deliver efficiency through our purchasing decisions, our investment in new technology and our willingness to work in partnership across the public, private and voluntary sectors.
10. At the start of the budget preparation process, additional expenditure demands (including inflation) of £10.8 million were identified. The following table provides a summary as to how the additional expenditure demand across the Council have been financed. Approximately 60% has been met from efficiency savings.



11. Approximately one third of our overall net expenditure has been identified for fundamental review. These reviews consider the extent to which efficiency savings can be made, investment requirements for the modernisation of service delivery together with options to meet changing needs, service improvements and alternative methods of service delivery. Reviews ensure that proper consultation is undertaken, that sound implementation plans are put in place and proper partnership working arrangements are adopted. Costs, Human Resource and Service implications are identified during the reviews that are subject to robust scrutiny and challenge.

Adequacy of Financial Reserves

12. 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.
13. 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
14. The Director of 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 made to meet known and expected liabilities.
15. Indicated within the following table is the expected general reserves position at 1/4/2009 based on the 2nd Quarters budget clinics. Work undertaken prior to 31st March 2009 is expected to reduce the net pressures within 2008/2009

	£'000s
As at 1 April 2008	5,477
Less 2008/2009 Estimated Outturn	974
Estimated at 1 April 2009	4,503

Robustness of Budget calculations

16. The Director of Resources advice in setting the 2009/2010 revenue budget is based on work undertaken across all Council services regarding the detailed preparation

of expenditure and income forecasts. It follows a series of consultation meetings with Members, Partners, Community Council representatives and Council officers.

17. It is the opinion of the Director of Resources that the budget calculations for 2009/2010 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 effecting the budget are completed; and
 - e. appropriate consideration is given to the level of Council Tax and external
 - f. funding available to the Council.

FINANCIAL IMPLICATIONS

18. The budget prepared on the above principles provides an extra £2.1 million investment in key services, including
 - £0.8 million for Children Families and learning
 - £0.7 million for Social care for older people and disadvantaged groups
 - £0.6 million for Environment, Highways and Transport
19. The views on potential levels of council tax have been considered alongside the needs and requirements of residents for key services and the impact of the credit crunch. Feedback during the consultation process indicated concerns about a potential 4.9% increase and a wish to keep any council tax increase to a minimum. It is therefore proposed that the entire surplus generated by efficiency savings together with the full impact of savings from the reduced rate of Value Added Tax (VAT) should be used to reduce council tax levels.
20. The Council is required to set a budget for 2009/2010. 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 2009/2010.
21. The Budget requirement for 2009/2010 will be £130.980 million as detailed in Appendix B.
22. The basic (Band D) Council Tax for Middlesbrough as a whole is calculated as follows: -

	£	£
Budget Requirement		130,980,000
Less:		
Revenue Support Grant	15,327,532	
NNDR	66,406,737	81,734,268 Cr
Net requirements		49,245,732
Council Tax Collection Fund Surplus		-65,600
(a)		49,180,132
Taxbase (b)		39,945
Basic Council Tax (a) / (b)		1,231.20

23. The table at point 22 above relate only to Middlesbrough Councils element of the Council Tax and exclude Cleveland Police Authority and Cleveland Fire Authority precepts.
24. The level of Council Tax associated with the budget requirement represents a 4.5% increase on the current year's level (for Middlesbrough Council's element of the Council Tax).

RECOMMENDATIONS

25. It is recommended that: -
- The budget requirement for 2009/2010 (including Parish Precepts) is set at £130.980 million 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 2009/2010 be £1,231.20 being the average (Band D) Council Tax for the whole of the Borough.

REASONS

26. The Council is required under legislation to set a revenue budget and agree the level of Council Tax for 2009/2010.

BACKGROUND PAPERS

The following background papers were used in the preparation of this report: -

- Revenue Support Grant report 2009/2010
- Strategic service budgets 2008/2009
- 2008/2009 Service Outturn reports December 2008
- Medium Term Financial Plan 2008/2009 – 2012/2013
- Councils agreed Budget Strategy

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2009/2010 BUDGET CONSULTATION

SUMMARY OF COMPLETED FEEDBACK FORMS Analysis by percentage

1.	How well did the presentation meet your needs?	Very well	Well	Fairly well	Not very well	Not at all
		51%	30%	17%	3%	0%
2.	Do you feel the presentation was relevant	Very relevant	Fairly relevant	Not very relevant	Not at all relevant	
		67%	32%	1%	0%	
3.	Was the level of the presentation:	Too advanced	About right	Too simple		
		4%	95%	1%		
4.	What was particularly good, and particularly bad about the presentation? (Please be honest as it will help us to plan future budget consultation exercises)					
	i) Good:Please see attached summary of Comments.....					
	ii) Bad:Please see attached summary of Comments.....					
5.	How would you rate	Very Good	Good	Satisfactory	Poor	Unsatisfactory
	a) The way the consultation was presented	57%	38%	5%	0%	0%
	b) Information provided	52%	40%	8%	0%	0%
	c) Opportunity to ask questions	69%	28%	3%	0%	0%
	d) Venue	40%	39%	12%	5%	4%
6.	Investment in Council Services					
	a) Should savings from the change in VAT rates be used to offset any Council Tax increase	56%	44%			
	b) Should any additional efficiency savings achieved be re-invested in services	72%	28%			

NOTE: Feedback during the consultation process indicated concerns about a potential 4.9% increase and a wish to keep any Council Tax increase to a minimum whilst safeguarding services.

General comments/suggestions:.... Please see attached summary of comments

Thank you for your co-operation in completing this form. Your responses will be taken into account when planning future budget consultation sessions.

2009/2010 Budget Consultation

SUMMARY OF COMPLETED FEEDBACK FORMS.

Question 4: What was particularly good, and particularly bad about the presentation? (Please be honest, as it will help us to plan future budget consultation exercises)

Good Points: A number of responses referred to the presentation being clear, informative and useful. Reference was made to the honesty of the presentation and the time given to individuals to ask questions.

Bad Points: References were made to the choice of venue for the meetings. Concern was expressed at some of the presentations being poorly attended (See Note1). Comments were also made as to giving consideration to advertising the presentations more widely. A number of the Youth Council representatives thought the presentation was too long and boring.

NOTE 1: In response to the comments, an additional residents presentation was provided on the 27th January 2009

Other

Comments: Participants were also given the opportunity to make additional general comments or suggestions.

Concern was expressed as to a Council Tax increase at 4.9%; a number of points were made regarding keeping Council Tax increases to a minimum and all opportunities for efficiency savings should be pursued by the Council. There was also a balance of view that the Council needs to maintain and invest in services provided it maintains its approach to delivering efficiencies. Some responses asked for more detail regarding the capital programme, 'concrete' examples of efficiencies delivered and service cost and pressures.

A very small minority of comments referred to dissatisfaction with the consultation process. One response was received in writing outside of the budget consultation meetings.

REVENUE BUDGET 2009/2010

Appendix B

	2008/2009		2009/2010	
	£`million	£`million	£`million	£`million
Service Expenditure				
Environment	24.566		26.245	
Children Families & Learning	22.521		23.029	
Regeneration	8.142		8.530	
Social Care	35.267		36.490	
Chief Executive Services (Including Performance and Policy and HR)	2.459		2.451	
Legal and Democratic Services	2.550		2.609	
Strategic Resources	22.313		22.572	
Corporate	1.95	119.769	2.027	123.953
	1			
Levies				
Environment Agency	0.093		0.096	
River Tees Port Health Authority	0.065	0.158	0.068	0.164
Central provisions				
Provision for Pay awards and contingency	0.651		0.122	
Investment Fund	0.342		0.000	
Job Evaluation	0.329		0.357	
Right to buy Receipts	-0.923		-0.191	
Net Capital financing costs	6.196		6.662	
Ex DSO non-trading Costs	0.328		0.328	
Designated authority costs	0.040		0.040	
Custodian Properties	0.135	7.098	-0.015	7.303
Net spending		127.025		131.420
Contribution from Reserves and Provisions		-0.691		-0.449
Net revenue budget		126.334		130.971
Parish Precepts				
Nunthorpe		0.009		0.004
Stainton and Thornton		0.005		0.005
Net Revenue budget (inc. Precepts)		126.348		130.980
Funded by				
External support		79.452		81.734
Council Tax		46.844		49.181
Collection Fund Balance		0.052		0.065
		126.348		130.980