
Meeting: Executive
Date: 2 November 2010
Subject: Corporate Budget Strategy
Report of: Cllr Maurice Jones - Portfolio Holder for People, Finance and Governance

Summary: The report sets out the Council's response to the Coalition Government emerging policies and puts forward proposals for managing expenditure to address the expected funding reductions.

Advising Officer: Richard Ellis, Director of Customer and Shared Service
Contact Officer: Matt Bowmer, Assistant Director Financial Services
Public/Exempt: Public
Wards Affected: All
Function of: Executive
Key Decision No
**Reason for urgency/
exemption from call-in
(if appropriate)** Not applicable

CORPORATE IMPLICATIONS

Council Priorities:

The report sets out proposals designed to help the Council respond to the financial challenges facing the public sector as a whole but, at the same time, enable it to deliver to its priorities.

Financial:

Set out in the report.

Legal:

The Local Government Finance Act 1992 stipulates that the Council must set an amount of council tax payable for the financial year 2011/12 by 11 March 2011.

Before calculating the level of council tax payable, the Council must consult representatives of non-domestic ratepayers in its area.

The Council's Constitution requires the Executive to publish a timetable for making proposals to the Council in respect of the budget.

The efficiency proposals outlined in Appendix A to the report may result in some employees being made redundant. In those circumstances, the Council is required to undertake consultation with appropriate representatives of the employees who are affected by the proposals. This consultation must begin in good time and, where at least 100 employees are affected, then the consultation must begin at least 90 days before any employees are dismissed.

Risk Management:

Proposed budget reductions of this kind present key risks to the Council:

- **Demand:** The wider impact of the current economic climate on local residents is placing further demands on the Council's services, at a time when the Council needs to reduce spending due to constraints on public expenditure.
- **Reputation:** If stakeholder engagement is not managed effectively, the need for the Council to take difficult decisions in response to the contraction of public expenditure will not be understood.
- **Delivery:** The delivery of the agreed savings proposals will need to be effectively managed to ensure they are realised in practice.
- **Priorities & Outcomes:** The Council needs to ensure that its spending decisions reflect its priorities and the outcomes it wishes to secure on behalf of its residents.

Staffing (including Trades Unions):

The staffing implications are set out in the report.

Equalities/Human Rights:

In developing the Budget Strategy the Council must ensure that decisions are made in such a way as to minimise unfairness, and that there is not a disproportionately negative effect on people from different ethnic groups, disabled people, and men and women. Equality Impact Assessments are being undertaken for all savings proposals, where relevant, and the findings will be reported to members in the New Year as part of the budget setting process.

Community Safety:

Any potential changes or reductions in budgets may have an impact on the delivery of community safety priorities in the future.

Sustainability:

Key sustainability agendas, such as climate change, represents opportunities for the Council to make efficiency savings by decreasing energy use and the total spend on energy, for 2008/09 this was £3.4 million (including schools). Failure to take action leaves the Council vulnerable to the impact of increasing energy prices.

Summary of Overview and Scrutiny Comments:

- Overview and Scrutiny Committees will consider the savings proposals in their December cycle of meetings.

RECOMMENDATION(S):

1. that the Executive

- (a) **Acknowledge the considerable challenges facing the Council in view of the Government's Comprehensive Spending Review announcement and the expected reduction in funding for local authorities.**

- (b) Endorse the strategic response, proposed outcomes and direction of travel as set out in paragraphs 21 through to 40.**
- (c) Endorse the efficiency proposals outlined in Appendix A**
- (d) Invite Overview & Scrutiny and other stakeholders to comment on the Service Reconfiguration and Reduction saving proposals in Appendix B**
- (e) Approve the communications and engagement process**
- (f) Agree the timetable for setting the 2011/12 Budget set out in paragraph 50**

Reason for Recommendation(s): So that the Council is prepared to introduce and implement a budget for 2011/12, through the active engagement of Members, Staff, Customers and Stakeholders.

Executive Summary

The report sets out a direction of travel and specific proposals in response to the significant contraction of public expenditure planned by Government as part of its strategy for tackling the national budget deficit.

RATIONALE

1. The purpose of the report is threefold:

Firstly, it will set out the direction of travel for Central Bedfordshire services over the medium term, taking into account the financial challenges facing the public sector as a whole.

Secondly, it will authorise appropriate consultation with stakeholders over a series of proposals developed in response to the above direction of travel.

Thirdly, it will bring forward outline savings proposals.

INTRODUCTION

2. Central Bedfordshire agreed its 2011/12 Budget Process at its Executive meeting in June 2010. This was a significantly earlier start to the process than for 2010/11 to enable greater opportunity for scrutiny of the proposals and provide sufficient lead in time for the budget to be delivered from 1 April 2011.
3. The financial outlook, including recent Government announcements on public expenditure, requires the Council to review and to reduce spending, whilst protecting key frontline services as far as possible. All local authorities face significant reductions in resources as a consequence of anticipated reduced Government Departmental Spending Limits of between 25 to 40% over four years.

These reductions are further compounded by significant pressures on a number of services including waste management, the safeguarding of vulnerable children, the impact of demographic change on Adult Social Care and a greater call on Council services by residents, most notably benefits, as a consequence of the economic downturn.

4. The much awaited Comprehensive Spending Review (CSR10) in October is expected to provide the national figures, with the detail to follow in the Local Government Finance Settlement in late November or early December. The settlement will possibly cover two financial years. The Formula Grant, of which Central Bedfordshire receives £50 M per annum, is under review by CLG (Communities & Local Government) and the outcome is not expected until late December.
5. There is no doubt that local government is faced with significant funding pressures, with recent unprecedented “in-year” grant reductions as a result of the Emergency Budget and the prospect of further significant reductions in grant income. The Government continues to emphasise the need for further efficiencies in local government with a significant impact on the delivery of services.

As a consequence difficult choices will have to be made about our current activities and the level of services we provide whilst taking into account the Council's priorities. There is a lack of definitive information at this time but there is, sufficient evidence of the need for the Council to plan ahead for savings for 2011/12 and beyond.

NATIONAL CONTEXT

Policy Direction

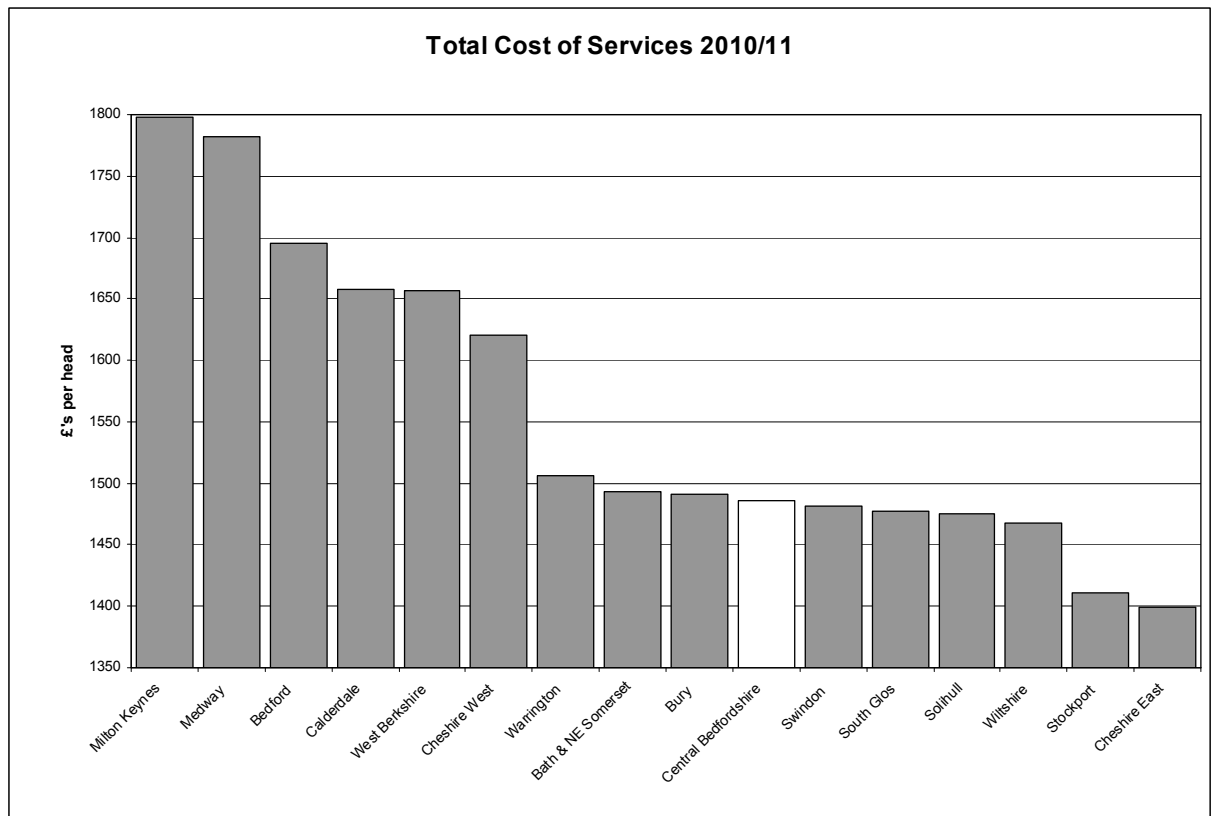
6. The Coalition Agreement is underpinned by the values of fairness, freedom and responsibility. It promises radical reform, a stronger society, a smaller state and power and responsibility in the hands of every citizen. Alongside the primary focus of reducing the country's budget deficit, the new Government has also set out plans on a number of areas of direct relevance to local government
7. Decentralisation and localism are key themes. A Localism Bill is due in the autumn which will promote the devolution of power and greater financial autonomy to local government and community groups, including a power of general competence. A review of local government finance is also in the programme.
8. A number of changes are already being put into effect in anticipation of legislation. These include the abolition of the Comprehensive Area Assessment and the Audit Commission itself, the development of local enterprise partnerships to replace regional development agencies, revocation of regional strategies, the abolition of the government regional offices and some decentralisation affecting aspects of housing.
9. The Big Society seeks to encourage social responsibility, volunteering and philanthropy, and make it easier for people to come together to improve their communities and help one another. The Government is also keen to support the creation and expansion of co-operatives, charities and social enterprises, and enable these groups to have much greater involvement in the running of public services.
10. The reform of schools is also a key feature of the Government's programme, designed to ensure that new providers can enter the state school system in response to parental demand, that all schools have freedom over the curriculum and that schools are held properly to account. This includes enabling schools to become academies and the establishment of free schools.
11. There are significant changes planned for the National Health Service. Primary Care Trusts (PCTs) will cease to exist from April 2013 with their role taken on by General Practitioner (GP) Commissioning Groups. Furthermore, the responsibility for Public Health will transfer to local authorities.

Economic Analysis

12. The economy moved slowly out of recession and into growth in the final quarter of 2009/10 and continued the improvement in the first quarter of 2010/12. The recovery is still weak, however, and whilst there is generally a reduced expectation of a 'double dip' recession, forecasts of growth are still conservative. A 'double dip' does remain a risk though and reductions in public expenditure will have an adverse impact.
13. Of equal concern is the continued high level of inflation measured both by the Consumer Price Index and Retail Price Indices. If these do not start to come down in the near future, the Monetary Policy Committee might start to raise interest rates.
14. Unemployment is still well short of the three million figure forecast a year ago but there has been an increase in short time and part time work which has contributed to an increased take up of benefits - up 12% between April 2010 and September 2010 in Central Bedfordshire.
15. Data from the Office for National Statistics for Central Beds forecasts continued growth in the 65+ and 85+ populations. The 65+ population is currently 34,400 and is forecast to be 42,300 by 2016, an increase of 23%. The 85+ population is currently 4,900 and is forecast to be 6,500 by 2016, an increase of 33%.

Local Financial Issues

16. There is no fresh evidence to add to the financial position reported in the Budget Strategy report to Executive in August 2010. This report identified a need to reduce expenditure by something of the order of £36M over the medium term with an initial challenge of £14.6M for 2011/12. The Council is well prepared for this challenge with comprehensive saving proposals having been developed.
17. The Council has a positive track record in delivering savings, having reduced its budget by £10M in 2009/10 and the positive progress made with the £12M of savings and efficiencies built into the 2010/11 budget. In addition, the Council has had to make further in year savings in 2010/11 - £1.515M in response to Area Based Grant reductions alone and further reductions as a result of the loss of the Free Swimming Grant and the Harnessing Technology Grant.
18. Financial benchmarking data is now available for 2010/11, taking into account spending plans for this year. In the light of the savings and efficiencies made over the past two years, Central Bedfordshire is spending below the median level of its statistical neighbours. The relatively position of Central Bedfordshire is clearly shown in the bar chart below.



19. Against this financial backdrop, the Council is now able to assess comparative performance through benchmarking data for the 2009/10 National Performance Indicators. When comparing the performance of key services, both nationally and against statistical neighbours, the Council is performing well.
20. It is acknowledged that performance indicators provide only a partial picture of overall service quality and therefore there is no room for complacency as the Council strives to achieve a number of key outcomes over the medium term.

STRATEGIC RESPONSE

21. In the context of reducing resources and increasing responsibilities, the Council faces a particularly challenging budget process. Central Bedfordshire must discharge its statutory responsibilities to deliver a balanced budget and secure those services that we feel are most important, as efficiently and effectively as possible.
22. The policy approach, organisational values and financial management adopted by the Council during its first two years of operation will drive the strategic response which will be characterised by rigour, responsibility and realism.

23 Getting the Basics Right – A Base Budget Review

As part of the Budget Process a full review of the Council's cost base is now underway and the 'Base budget build' will be considered by the Overview & Scrutiny Committees in December. This analysis will ensure that Members have a robust account of all spending pressures for the period ahead.

24 Driving Efficiencies

The Council will build on its record for delivering savings. Having significantly streamlined overheads such as the Senior Management structure, further proposals for rationalising the back office will be central to the strategy. Better procurement and the use of technology will also be important.

25. **Collaboration and Partnership**

Having piloted the Total Place model for service delivery last year, the Council is developing expertise in shared service approaches. Whether working in partnership with either the public or private sector, we will actively pursue collaborative working to save money and maximise a return on our investments.

26. **Empowering Individuals and Communities**

The Council has adopted a community engagement strategy that puts a strong emphasis on helping people to help themselves. Whether this is applied at an individual, organisational or community level, the principle of enabling people to exercise greater freedom and responsibility is fundamental to our approach.

27. **Protecting the truly vulnerable**

The Council has already demonstrated a pragmatic and flexible approach to models of service delivery with a priority on outcomes rather than process. Having identified a vision for the area and priorities, it is equally clear that the authority is committed to protect the truly vulnerable members of our society.

28. **Outcomes**

More than ever, the Council needs to be clear about the outcomes it wants to achieve on behalf of its residents and the following nine are proposed for adoption:

Supporting and caring for an ageing population

1. Truly vulnerable adults are safeguarded
2. Residents are enabled to make appropriate choices to meet their own needs and the 'market' is stimulated to respond to those needs where appropriate.

Educating, protecting and providing opportunities for children and young people

3. Educational attainment is raised
4. Truly vulnerable children are protected

Managing growth effectively

5. Housing growth is complemented by growth of businesses and jobs
6. A suitable mix/quality of housing is available to meet the needs of current and future communities

Creating safer communities

7. The area remains a safe one
8. The area is kept clean (but with increased emphasis on self help)

Promoting healthier lifestyles

9. Residents are enabled to lead healthier lifestyles

29. Each of the Council's Directorates has been reviewing the future direction that is appropriate for our services taking into account the factors described above.

DIRECTION OF TRAVEL FOR SERVICES

Social Care Health & Housing

30. The care sector will change and better outcomes will result from personal choices over how a person's individual needs are best met. The modernisation of services is predicated on moving "spend" from institutional care to more local solutions, and to personal budgets. Resources will be used more efficiently, to explicitly achieve what people themselves want. In this way, the council is able to Transform People's Lives.
31. Whole system change is envisaged for adult social care, which will necessitate significant change to the social care workforce. The change is contingent on improvement to professional practice being sustained and reflected in better Safeguarding practice. The focus is to complete the Recovery programme for Adult Social Care, in order to strengthen the Council's capacity to manage the scale of change that is envisaged through modernisation and market shaping.
32. To achieve comprehensive change, the Council and Health partners will need to: invest in prevention; maximise the far reaching potential of people making a voluntary contribution and of services across broad ranging activity such as Housing, Leisure and Transport; to yield added benefits as a result of re-alignment; and by thinking differently and having a different approach.
33. For the Housing Service, the main drivers are homelessness prevention and harmonisation of the Housing Needs service currently provided by Aragon and directly by the Council in different parts of the area. For the Landlord role, it is also necessary to examine the Government's detailed proposals for Self Financing, to be set out in the Comprehensive Spending Review, and to determine a future for the stock that accords with the Council's strategic objectives.

Children's Services

34. The Council will reshape its Children's Services in the light of the emergent national agenda which is focused on schools becoming increasingly independent of the Council. Schools may choose to buy back support services from the Council. The relationship of the Council with its schools will change and the role of the Council will be to focus strategically on outcomes in raising standards in schools which are performing less well and in its role to support fair access to schools. Along with school governors, the Council will lead a response to the "Big Society" through strategic commissioning and an enhanced community focus.
35. Specialist services for children offered by the council will focus increasingly on statutory roles and the needs of the most vulnerable children. There will be a continued focus on child protection through children's social care and in developing strategies to alleviate child poverty. Specialist support services that the Council will continue to provide to the most vulnerable will be those that are required as a statutory provision or where there is an opportunity to intervene early to avoid subsequent problems arising in families in order to prevent them accessing statutory services later on. The focus on child protection will remain and the Council will meet its duty to deliver a Child Poverty Strategy by 1st April 2011.

Sustainable Communities

36. Sustainable Communities is a very diverse directorate comprising a wide range of public facing, mainly statutory services. For 2011/12, the savings proposals are underpinned by a focus on further efficiencies through rationalisation, reducing discretionary services and reducing spend in high performing statutory services.

Customer & Shared Services

37. The primary purpose of the Directorate of Customer and Shared Services is to enable and support the frontline services to deliver their objectives. 'Frontline' services are dependent upon effective support services to achieve their efficiency and transformation objectives. In addition, many of the council-wide efficiencies, will be lead by this Directorate, and these include:-

- Procurement
- Optimisation of income streams
- Customer Management
- Administration
- A review of employee terms & conditions

38. However, this is a relatively new Directorate, which has undergone a number of senior managerial changes, and is still wrestling with many of the issues relating to the transition to the new unitary council. There are also a number of areas where support services are not meeting the requirements or expectations of internal customers, and where performance is inconsistent and unsatisfactory. In order to address this deficit, a Recovery Programme is currently under way which will focus on critical priority areas for improvement, and is expected to deliver significant improvement in the next 12 months.

39. Whilst the immediate focus is on recovery of the key support service areas, all services will undergo a further review to assess the potential service delivery models that could be adopted in the future. This will consider current levels of competence, the needs of internal customers, potential alternative delivery options and the financial implications of the various alternatives. As part of this process, there may be opportunities to share services with others.

Office of Chief Executive

40. The purpose of the Office of the Chief Executive is to support the Council to develop and implement corporate strategy. The savings proposals are focussed on maintaining this role but at a lower cost. At the same time, the Office is providing support to a review of the scope for greater collaboration across the public sector as a whole in Bedfordshire and Luton.

EFFICIENCIES

41. Table 1 below summarises efficiencies of £9.9M across the Council. There are £4.929M of efficiencies proposed across the Council through the maximisation of income, invest to save projects, streamlined processes, better procurement and sharing of services. Additionally, directorates have put forward £4.961M of service based proposals. Full details of these proposals are set out in Appendix A.

Table 1

Cross Cutting	£M
All Directorates	4.347

Directorate Based	
Children's Services	1.445
Customer & Shared Services	1.075
Office of the Chief Executive	0.412
Social Care, Health & Housing	1.555
Sustainable Communities	1.140
	5.627
Total All Efficiencies	9.974

SERVICE RECONFIGURATION AND REDUCTION

42. Table 2 below is a summary of proposed service reconfiguration and reduction savings of £4.5M across the Council's Directorates. Full details of these proposals are set out in Appendix B.

Table 2

	£M
Children's Services	0.798
Customer & Shared Services	0.000
Office of the Chief Executive	0.051
Social Care, Health & Housing	1.700
Sustainable Communities	1.454
	4.003

POLICY DEVELOPMENT AND COMMUNIUCATION

Dialogue with the Public

43. Although concrete information about the comprehensive spending review is not yet available, the Council has been proactive in discussing the financial challenges it faces with local people.
44. A September workshop brought together residents from across the area to take part in a series of focus groups, following an introduction to the Council's finances from the Leader and Chief Executive.

45. The event showed that many members of the public seem ready to see public expenditure reduce significantly and they are aware that services will have to be reduced as a consequence. Whilst some have serious reservations, more participants could see opportunities in terms of making public sector organisations cheaper, more efficient and more accountable. New models of delivery were discussed and welcomed by many, particularly those concerning the joining up of public services and back office functions.

Further Consultation and Communications

46. Over the coming weeks Members will consider a complex set of proposals. Whilst this process is underway, it is proposed that the Council conducts a further round of consultation and communication with its key audiences
47. The Council will fulfil its statutory responsibility to conduct Equality Impact Assessments and consultation with specific service users and staff. Beyond these obligations it is proposed that the public and stakeholders are given maximum opportunity to be informed about and comment on the proposals through a series of conventional and new media communication routes.

STAFFING IMPLICATIONS

48. Given the proposed scale of required savings, and the likely resulting reduction in the numbers of posts, the Authority will undertake a 90 day consultation period.
49. As part of this consultation, we will explore all options with recognised trade unions, and make every effort to mitigate the number of redundancies required

TIMETABLE

50. The timing of detailed Government funding announcements has necessitated some minor amendments to the overall timetable to deliver the 2011/12 budget. The key milestones are set out in Table 3 below,

Table 3

Date	Body	Outcome
20 October	Treasury	Comprehensive Spending Review
Late November/Early December	CLG	Local Government Finance Settlement
December	Overview & Scrutiny	Consideration of savings proposals and base budget build
11 January 2011	Executive	Draft budget 2011/12
17 January	Overview & Scrutiny	Comment on Draft Budget
8 February 2011	Executive	Recommends final Budget
24 February 2011	Council	Approves Budget

Appendices:

Appendix A - Efficiencies for consultation

Appendix B – Service Reconfigurations and Reductions for consultation

Background Papers: (open to public inspection)

None