
Meeting: Sustainable Communities Overview & Scrutiny Committee
Date: 14 December 2010
Subject: Base Budget Build and Supplementary Savings Proposals for 2011/12
Report of Portfolio Holder: Cllr David McVicar – Safer Communities & Healthier Lifestyles
Cllr Ken Matthews – Economic Growth, Skills & Regeneration
Cllr Tom Nicols – Sustainable Development
Summary: The report sets out the outcome of the work to review Sustainable Communities' Base Budget, an outline of the Directorate's activities and supplementary savings proposals for 2011/12.

Advising Officer: Gary Alderson - Director of Sustainable Communities
Contact Officer: Brighton Fong, Senior Finance Manager
Public/Exempt: Public
Wards Affected: All
Function of: Council

CORPORATE IMPLICATIONS

Council Priorities:

N/A

Financial:

N/A

Legal:

N/A

Risk Management:

N/A

Staffing (including Trades Unions):
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N/A

Equalities/Human Rights:

N/A

Community Safety:

N/A

Sustainability:

N/A

RECOMMENDATION:

1. **that the Sustainable Communities' Overview & Scrutiny Committee considers the report and provides feedback to the Executive.**

INTRODUCTION

1. The Budget Process agreed by the Executive in August identified two areas of work which it wished to put forward to the Council's Overview & Scrutiny Committees for comment. These were the Base Budget Build and the Savings Proposals which were being developed in response to the policy agenda of the Coalition Government. Further, the 2010/11 Budget Process had focussed on pressures and efficiencies and there is a requirement in 2011/12 to consider these issues in the context of the full spending plans of each of the directorates.
2. The report deals with each of the issues in turn:
 - Base Budget Build;
 - Service description and subjective analysis of spend; and
 - Supplementary savings proposals.
3. The initial Corporate Budget Strategy was based on headline figures in the Emergency Budget in June which indicated a 25% reduction in Government spending over the medium term. The most up to date information from the Spending Review in October has indicated a 'front loading' of the reduction and the Strategy assumptions have been revised as a consequence. The initial savings proposals were considered by Overview and Scrutiny Committees in November. Therefore, this report presents the supplementary savings proposals put forward in update report to the December Executive.

BASE BUDGET BUILD

4. A major piece of work has been undertaken as part of the budget process to provide additional assurance on the 2011/12 budget.
5. The 2010/11 budget process was very much 'top down' with a focus on pressures and efficiencies at the margins rather than a focus on ensuring that the Council's budget matched its cost base.
6. For 2011/12 work on the base budget has run in parallel with the work on identifying savings to address the medium term funding gap driven primarily through reductions in Government spending as the Country's budget deficit is addressed.

Approach

7. The starting position for the build has been the forecast outturn position as a 30 September 2010. The key tasks have been to assess whether existing pressures will persist into 2011/12 and whether actions such as holding vacancies and non discretionary spend can continue longer term. Where such reductions are possible these will be brought forward as savings reductions.

8. Additionally, there has been a review of the budgets down to 'general ledger' code detail to ensure that budgets are accurately held in individual cost centres. This gives additional assurance that the overall cost base and budget match and will make monitoring more straightforward for the remainder of this financial year as well as for 2011/12 and beyond.

Council Wide Position

9. Whilst the forecast pressures of £3.25M as at 30 September are significantly reduced compared to the position at 30 June, this is not sustainable in the longer term and additions of £6.35M are required to the Base Budget.
10. There has been challenge on the numbers throughout but the overall figure is greater than had been expected. Nevertheless, it is important that these are built into the base to give greater confidence in delivering the budget in 2011/12.

	Base Budget Build	Already reflected in Strategy	Total
	£M	£M	£M
Social Care Health & Housing	2.222	0	2.222
Children's Services	3.395	1.000	2.395
Sustainable Communities	1.355	0.250	1.105
Customer & Shared Services	1.133	0	1.133
Office of the Chief Executive	0.074	0	0.074
Corporate Costs	-0.577	0	-0.577
Total General Fund	7.602	1.250	6.352
HRA	-0.308	0	-0.308
Total	7.294	1.250	6.044

11. The detail position for the Sustainable Communities Directorate is set out in Appendix A and a brief summary of the key issues is set out below.

Directorate Summary

Sustainable Communities

12. The Sustainable Communities budget pressure of £1.35m is primarily attributable to loss of government grant, lower fee income, or budget build errors. The new government announced the cessation of the Housing Planning Delivery Grant and the removal of the ring fence of the Area Based Grant. Development activity has also declined and influenced the level of revenue contributions. Developer contributions in calendar years 2009 and 2010 have been mainly for capital expenditure. Budget build omissions or mistreatment of refundable deposits as income account for the balance of pressures.

13. An outline of the larger pressures is provided below:
 - a) Actual loss of Housing Planning Delivery Grant of £1.4m with the 2010/11 effect being £0.7m. The dependency on the grant was recognised in the Medium Term Financial Plan through £0.25m supplementations over three years. The cessation of the grant one year early means the planning service restructure and process reengineering was still in progress and had not delivered the full savings.
 - b) Anticipated loss of Area Based Grant for community safety activities £0.2m. The service expects that the removal of the ring fence around ABG means that discretionary services may receive less funding in the future.
 - c) Restatement of the Adult Skills budget by £168k which was temporarily funded through the Book Fund in 2010/11.
 - d) Recategorisation of developer / utility company receipts for road openings as refundable deposits rather than income £65k.
 - e) Decline in developer contributions £35k, and omission of after-hours community safety service £53k.

SERVICE DESCRIPTION & SUBJECTIVE SPEND ANALYSIS

14. In 2010/11 Overview & Scrutiny Committees were only presented with the pressures and efficiency proposals. For 2011/12 it has been agreed that more information on spend and activity of the key services in each directorate was required to give context to the proposals being considered.
15. Appendix B provides a description of the activities undertaken in the directorate and also analyses the base budget spend by subjective heading, i.e. employees, premises, supplies & services etc.

SUPPLEMENTARY SAVINGS PROPOSALS

16. Two reports have been presented to the Executive on the Corporate Budget Strategy for 2010/11. The initial report to Executive on 2 November was based on the anticipated reductions in government funding announced in the Coalition Emergency Budget in June. The Strategy considered these alongside a potential freeze in Council Tax and known medium terms pressures being experienced in Central Bedfordshire including increased safeguarding referrals, demographic growth in the older population and higher costs of waste disposal.
17. The second report to Executive on 7 December, a copy of which is attached at Appendix C, was in response to the further detail contained in the Spending Review announcement on 20 October. There has been a 'front loading' of the Government spending reductions which place greater pressure on Central Bedfordshire's resources in 2011/12 and 2012/13. The outcome of the Base Budget Build exercise has also been factored into the update. There is more detail becoming available on almost a daily basis and a more definitive picture expected when the Local Government Finance Settlement is announced in early/mid December. Consequently, there will be a need for a continuous reappraisal of the financial position.

Appendices:

Appendix A – Budget build at Head of Service level.

Appendix B(i) – Service spend by subjective heading

Appendix B(ii) – Service narratives

Appendix C – Corporate Budget Strategy Update (Supplementary Savings Proposals)

Background Papers: (open to public inspection)

Corporate Budget Strategy – Executive, 2 November 2010

Corporate Budget Strategy Update – Executive, 7 December 2010