

APPENDIX C

Meeting: Executive
Date: 7 December 2010
Subject: Corporate Budget Strategy Update
Report of: Cllr Maurice Jones, Portfolio Holder for People, Finance and Governance
Summary: The report provides an update to the Corporate Budget Strategy reported to the Executive on 2 November following the Comprehensive Spending Review announcement on 20 October 2010.

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 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 agenda, 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):

that the Executive

- (a) **Acknowledge the additional challenges facing the Council in view of the Government's Spending Review announcement and the expected reduction in funding for local authorities, including its profiling.**
- (b) **Invite Overview & Scrutiny and other stakeholders to comment on the supplementary saving proposals in Appendix A (Supplementary Savings Schedule)**

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 funding assumptions made in the Corporate Budget Strategy were broadly in line with the overall funding settlement for local government set out in the Spending Review announcement on 20 October 2010.

However, more up to date information has shown the profile of the reductions to be front loaded with a greater impact on 2011/12. An early assessment of the impact has been made and further savings proposals are now considered appropriate.

INTRODUCTION

1. The Corporate Budget Strategy report to Executive set out Central Bedfordshire's response to the Coalition Government's policy direction and to an anticipated reduction in funding of £36M over the medium term, with £14.5M of this sum impacting on 2011/12.

Spending Review 20 October 2010

Headlines

2. The initial headlines from the Spending Review announcement on 20 October were for a 28% funding reduction over the next four years in contrast to the 25% anticipated. Given the £100M per annum received in Government Grant, the additional 3% reduction is equivalent to £3M over the four year period of the review.
3. However, whilst the headlines were for an average reduction of 7% per annum, the detail of the announcement sets out a 'front loading' of the reductions. There will not be complete clarity about the specific implications for each council until the Local Government Finance Settlement. Currently, the following are the profiled reductions in Formula Grant and specific/area based grants reflected in reduced Department Expenditure Limits for the Whitehall spending departments.

	2011/12	2012/13	2013/14	2015/16
Formula Grant	-10.7	-6.4	-0.9	-5.6
ABG/Specific Grants	-12.7	-7.6	-1.1	-6.6

4. There is further detail emerging on a daily basis with the position very much complicated by transfers being made between different grant streams.

Other elements of the announcement

5. There are a number of other elements of note in the more recent announcement:
 - Council Tax freeze. There is to be a 2.5% grant to compensate councils freezing their Council Tax increases across the four year review period.
 - There will be a reduction in the number of funding streams, down to ten from 1 April 2011 and there will be no ring fencing, with the exception of the Dedicated Schools Grant and a new Early Years Intervention Grant.
 - The total Formula Grant sum for distribution nationally includes an additional £0.5bn for Personal Social Services.
 - There is to be a new grant – the New Homes Bonus to support housing growth which will match increases in the Council Tax base pound for pound from 1 April 2011.
 - Borrowing rates from the Public works Loan Board (PWLB) will increase by 1% from 1 April 2011.
 - There is a fund of £200M nationally to support ‘internal restructuring’. This will effectively enable redundancy costs to be capitalised but it is a relatively small fund in the context of the overall reductions.
6. At this point in time, the front loading of Formula Grant, Area Based Grant and Specific Grant reductions offset by the 2.5% Council Tax ‘compensation’ puts an additional pressure of £2.7M on the Council’s finances in 2011/12.
7. It should also be remembered that the distribution of Formula Grant has been subject to consultation, with the outcome expected in mid December. There will in all likelihood be ‘floors’ and ‘ceilings’ to dampen any swings in funding. There is an expectation that resources will move from northern to southern authorities but ‘floors’ and ‘ceilings’ will impact on this movement in the short term.

STRATEGIC RESPONSE

8. The policy approach, organisational values and financial management processes adopted by the Council during its first two years of operation will continue to drive the strategic response which will be characterised by rigour, responsibility and realism. The policies outlined in the 2 November Budget Strategy Report will be followed including:
 - Getting the Basics Right – Base Budget Review
 - Driving Efficiencies
 - Collaboration and Partnership
 - Empowering Individuals and Communities
 - Protecting the truly vulnerable

BASE BUDGET BUILD

9. A major component of the budget process for 2011/12 has been the Base Budget Build.
10. This has been a highly valuable undertaking to give greater assurance that the Council’s cost base is accurately reflected in its revenue budget.

11. The build has been based on the forecast outturn position for 2010/11 taking account of the budget management information at 30 September 2010. Whilst the forecast outturn position is much improved, as detailed in the Budget Management report also on this agenda, it reflects a number of one off measures and the holding of vacancies and discretionary spend which is not sustainable in the longer term.
12. The full detail of the Base Budget Build is being presented to the December cycle of Overview & Scrutiny meetings.

OTHER FUNDING CONSIDERATIONS

13. The opportunity has been taken to review a number of the funding streams in the Corporate Budget Strategy.
14. The Strategy currently assumes a 0.6% increase in the Council Tax Base for 2011/12. The increase for the current financial year was 1.2% and it is appropriate to build in a similar increase for 2011/12, in view of some improvements in house building as the economy continues to recover from the recession.
15. The Executive harmonised the Empty Homes Discount at its November meeting and this will also have a positive impact on the Council Tax base.
16. Finally, the New Homes Bonus is mentioned above and this new funding stream will broadly match any growth in the Council Tax base. The Budget Strategy has removed the dependence on the demised Housing Planning Delivery Grant, so this new grant will benefit the overall finances of the Council. The latest information here does suggest that the funding will be linked to average precepts nationally rather than those set by Central Bedfordshire which will make forecasts less straightforward.

OVERALL POSITION

17. The table below summarises the latest position for the Council's finances in 2011/12. It cannot be emphasized enough, however, that more information is emerging on an almost daily basis and this position is very likely to change.

	£M
Initial Gap	14.6
Spending Review	2.7
Base Budget Build	6.0
Additional Resources	-2.5
	20.8

18. The overall funding gap for 2011/12 is now £6.2m greater than reported in the November report.

RESPONSE

19. It has therefore been necessary, in a relatively short period of time, to formulate further savings proposals over and above those reported in November to address the increased funding gap. These additional savings amount to a further £8.3M for 2011/12 and are set out in Appendix A (Supplementary Savings Schedule). These include:
- a number of service specific proposals (£5.6M);
 - a general increase in fees and charges in excess of inflation (£0.25M);
 - reduced inflationary provision on supplies and services (£0.5M);
 - a re-evaluation of capital financing costs as a consequence of the Capital Programme Review now approved by Council (£0.4M); and
 - additional income of £1.6M if the Council Tax levels across the authority were not harmonised from 1 April 2011
20. In the Appendix there are several options put forward for a number of the proposals. The higher figure has been taken into account in the total figure in Paragraph 18. Also, these savings are all full year and further work is being undertaken on phasing, as the full year effect is unlikely to be realised in 2011/12. Also underway are:
- a review of the Authority's top ten contracts by value with a review to delivering these at a lower cost ;
 - a review to reduce the number of meetings;
 - a review of all posts which have been vacant for more than six months; and
 - a review of options to consider investment to kick start service delivery through the voluntary sector.

COMMUNICATION AND ENGAGEMENT

21. The Corporate Budget Strategy has been proactively communicated to a wide range of individuals, organisations and groups to enable all interested parties to have their say on the proposals.
22. Various communication methods have been used. These include face to face meetings with groups such as the Carers Forum, Older People's Reference Group, the Youth Parliament, School Governors and Headteachers' Forums, the Business Community and Third Sector Assembly. There has also been direct communications to service users and stakeholders. Public communication has been managed through the Central Bedfordshire Council website, News Central (the Council's community magazine) and Let's Talk Central, the Council's social media site.
23. Residents and stakeholders will continue to comment on the proposals through on line and conventional communications. All feedback will be collated and summarised for Member consideration in the January and February Executive reports.

TIMETABLE

24. The key milestones for Council to agree its budget in February are set out in Table 3 below.

Table 3

Date	Body	Outcome
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 - Supplementary Savings Schedule for consultation

Background Papers: (open to public inspection)

None