
Meeting: Customer & Central Services Overview & Scrutiny Committee

Date: 13 December 2010

Subject: Base Budget Build and Savings Proposals

Report of: Portfolio Holder for Finance, Governance and People
Portfolio Holder for Customers, Systems and Assets
Portfolio Holder for Policy and Performance

Summary: The report sets out the outcome of the work to review Central Bedfordshire's Base Budget, an outline of the Directorate's activities and savings proposals for 2011/12

Contact Officer: Phil Ball, Senior Finance Manager

Public/Exempt: N/A

Wards Affected: All

Function of: N/A

CORPORATE IMPLICATIONS
<p>Council Priorities: N/A</p> <p>Financial: N/A</p> <p>Legal: N/A</p> <p>Risk Management: N/A</p> <p>Staffing (including Trades Unions): N/A</p> <p>Equalities/Human Rights: N/A</p> <p>Community Safety: N/A</p> <p>Sustainability:</p>

N/A

RECOMMENDATION:

- 1. that the Customer & Central Services 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
 - 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 gives the opportunity to provide feedback to the Executive on the supplementary savings proposals put forward in the 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 Customer and Shared Services, and Office of the Chief Executive Directorates is set out in Appendix A and a brief summary of the key issues is set out below.

Directorate Summary

Customer & Shared Services

12. The key pressures within Customer & Shared Services fall within Customer & Systems (£273k), People (£537k) and Assets (£590k), mitigated in part by reductions within Director of Customer Services and Finance (£300k). These are summarised as follows

13. Customer & Systems: Unachievable income targets of £276k have been identified. These targets were largely met in the previous year by recharging Swift costs and one off Transitional recharges. The Swift SLA has now ceased, so no income is achievable.
14. People: Pressures of £370k within the staff cost budget, largely due to the loss of Transitional funding. A pressure of £105k is showing as a result of the payroll contract being transferred to People from Finance, together with an additional pressure of £141k as a result of there being insufficient budget for that contract. This is partly mitigated by a budget reduction in the Corporate Training and OD budgets of £112k.
15. Assets: A detailed review of the budget has identified various premises costs pressures of c. £400k, largely due to insufficient budget within the original budget build. Budgets for Development Disposals of £250k and Surplus Properties of £50k have also been created. Additionally, the schools catering contract, which had an income target of £110k, will generate a pressure of £260k. Some of these pressures have been mitigated by £300k budgeted property contract savings as a result of the Mouchel contract review, and a reduction in Repairs & Maintenance.
16. Director of Customer & Shared Services, and Finance: Budget reductions due to £105k payroll contract transfer to People, and a comprehensive review of supplies and services budgets.

Office of the Chief Executive

17. The pressures of £74k within Office of the Chief Executive are due to 'Appendix E' costs (£27k) and unbudgeted Corporate subscriptions (£47k).

Corporate Costs

18. There are two elements to the overall savings identified of £0.577M. Firstly, there are pressures of £0.100M for the budget build errors in Members' costs which is being offset by the release of the £0.677M contingency that is being used to offset 'Appendix E' costs in 2010/11.

SERVICE DESCRIPTION & SUBJECTIVE SPEND ANALYSIS

19. 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.
20. 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.

SAVINGS PROPOSALS

21. 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.

22. The second report to Executive on 7 December 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 by Directorate at Head of Service level.

Appendix B – Service spend by subjective heading and service narratives.

Background Papers: (open to public inspection)

Corporate Budget Strategy – Executive, 2 November 2010

Corporate Budget Strategy Update – Executive, 7 December 2010