
Meeting: Executive
Date: 15 February 2011
Subject: Budget 2011/12 (Medium Term Financial Plan 2011/12 to 2014/15)
Report of: Cllr Maurice Jones , Portfolio Holder for Finance People & Governance
Summary: The report proposes the Council's spending plans for the medium term and Council Tax rate for 2011/12 with indicative increases for future years.

Advising Officer: Richard Ellis, Director of Customer & Shared Services
Contact Officer: Matt Bowmer, Assistant Director Financial Services (Chief Finance Officer)
Public/Exempt: Public
Wards Affected: All
Function of: Council
Key Decision Yes
Reason for urgency/ exemption from call-in (if appropriate) Not appropriate

CORPORATE IMPLICATIONS

Council Priorities:

The Council's priorities were a central strand of the Medium Term Financial Strategy and have been a specific factor in evaluating savings proposals.

Financial:

Set out in the report.

Legal:

Section 25 of the Local Government Act 2003 requires the Council's S151 Officer to comment on the adequacy of reserves. This commentary is set out in detail in Appendix E.

Risk Management:

A full assessment of the risks faced are set out in the Section 151 Officer's assessment of the adequacy of reserves and robustness of estimates which is appended to the report. The Budget proposals will be reviewed regularly by the Efficiencies Implementation Group and progress will be reported quarterly to the Executive through the budget management arrangements.

Staffing (including Trades Unions):

A number of posts are at risk as a consequence of the budget proposals. The budget proposals include provision for a revenue contribution to the Redundancy Reserve.

Equalities/Human Rights:

Central Bedfordshire Council has a duty to promote race, gender and disability equality and to tackle discrimination experienced by other vulnerable groups in relation to service delivery and employment. Recent Court Rulings and Statutory Guidance have confirmed that when public authorities are making financial decisions they are required to 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. As part of the budget setting process all the budget proposals have been reviewed to assess which require an equality impact assessment. Assistant Directors, Heads of Service / Lead officers have undertaken these assessments with assistance and quality assurance checks from the Corporate Policy Team. The Central Bedfordshire Equality Forum has also been consulted on this process.

Community Safety:

Under section 17 of the Crime and Disorder Act 1998 the council has a duty to consider community safety issues across all of its functions. Whilst there are no direct community safety implications in the report, as a result of savings proposals there may be a negative impact and potential for anti social behaviour and criminal activity as a result of service reductions.

Sustainability:

Key sustainability agenda, such as climate change, represent opportunities for the Council to make efficiency savings by decreasing energy use and the total spend on energy; for 2008/09 this was £3.4m (including schools). Failure to take action leaves the council vulnerable to the impact of increasing energy prices. OFGEM have predicted price rises of up to 60% in energy bills over the next 7 years are to be expected. This would represent an increased energy bill of up to £5.4m. The total cumulative estimated value of the increased energy costs between 2009 and 2014 comes to more than £16m. Higher energy costs will also impact on residents with more households falling into fuel poverty. This will mean that greater numbers of residents will need to access services and benefits provided by the Council – which will in turn increase the financial pressures on these service areas. In addition to this the council will also have to participate in the Carbon Reduction Commitment (CRC). This is ultimately a 'carbon tax' that will cost Council an estimated £390k per year from April 2014. As this is based on the Council's carbon footprint it is important that action is taken to reduce this burden by implementing energy efficiency and carbon reduction measures across the Council's estate and schools, the latter of which the Council is also liable for within the scheme.

Summary of Overview and Scrutiny Comments:

- The savings proposals put forward for consultation in the Corporate Strategy and Corporate Strategy Update reports to the Executive were considered and commented upon by the Overview & Scrutiny Committees in the November and December cycle of meetings. The full recommendations are appended to this report and the key issues are included in paragraph 18

- The Draft Budget Report to the Executive was considered by the Customer & Central Services Overview & Scrutiny Committee at its meeting on 17 January 2011. Again, the full recommendations are appended to this report and the key issues are included in paragraph 18
- The Capital Programme and Fees & Charges proposals were considered by all Overview & Scrutiny Committees in the January cycles of meetings. These comments too are appended to the report and summarised in paragraph 18.

RECOMMENDATIONS:

that the Executive recommends Council to:

- (a) **Note the response to consultation with Overview & Scrutiny and the public set out in paragraphs 17 to 22.**
- (b) **Agree the Revenue Budget for 2011/12 and the Medium Term Financial Plan 2011/12 to 2014/15**
- (c) **Note the following adjustments to the draft budget in response to comments and representations received throughout the scrutiny and consultation:**
 - **Adjustments to the proposals covering Overview & Scrutiny offset by further reductions within the Democratic Services budget;**
 - **No reduction in School Crossing Patrols from 1 April 2011 but that contributions be sort from communities and partners during the course of the year, with a view to securing the patrols beyond 2011/12;**
 - **The creation of a fund to facilitate the transfer of services to partners and communities and that the costs of Public Conveniences be a first charge on this fund during 2011/12; and**
 - **A conservative reduction in the proposed increases in Car Parking charges**
- (d) **Note the Council Tax Base as set out in Appendix G**
- (e) **Agree a Band D Council Tax of:**
 - £1,308.33 for residents in the north of Central Bedfordshire
 - £1,344.15 for residents in the south of Central Bedfordshire
- (f) **Agree the fees and charges set out in Appendix K**
- (g) **Agree to add the additional objective set out in paragraph 58 to the Treasury Management Strategy**
- (h) **Agree the Housing Revenue Account Business Plan set out in Appendix L with an average increase in rents of 7.02%**

Reason for Recommendations: To agree a balanced budget for 2011/12 and identify resource requirements for the medium term.

Executive Summary

Central Bedfordshire, in keeping with all local authorities at this time, faces significant financial challenges in responding to the Coalition Government's push to reduce the national budget deficit and a raft of new policy directives. The budget proposes to freeze Council Tax for 2011/12 and savings proposals have been developed in line with the new strategic direction for the council guided by its priority outcomes.

Introduction

1. This report sets out the Council's Budget for 2011/12 and updates the Medium Term Financial Plan (MTFP) 2011/12 to 2014/15 to be agreed by Council at its meeting on 24 February 2011.
2. Local Government has entered a very challenging period financially. There is continued pressure on council services as the country gradually recovers from the economic downturn. Against this backdrop is a very stringent Local Government Finance Settlement as the Coalition Government seeks to reduce the national budget deficit.
3. This budget is the Council's response to the new policy directives of the Coalition Government. There are significant reductions in spending for 2011/12 and beyond but the Council has a clear strategic direction and a focus of continuing to support the most vulnerable in the community. Wherever possible opportunities are being taken to modernise services and seek to transfer activities, for example to communities and town and parish councils. A task force is in place to lead on this initiative.

Policy, Priorities and Performance

4. The budget proposals have been developed alongside clear policies on the priorities and outcomes the council seeks for the community.
5. Executive on 2 November endorsed the following five priority areas for Central Bedfordshire with clear outcomes to be achieved against each. These have been key in guiding the use of resources are set out in full in Appendix A(i).
 - Supporting and caring for an ageing population
 - Educating, protecting and providing opportunities for children and young people
 - Managing growth effectively
 - Creating safer communities
 - Promoting healthier lifestyles.
6. The Council has also been clear on the strategic direction required for its services in response to national policy and this was set out in the Draft Budget report to the Executive in January 2011. The Council's adult social care services are challenged with the growing numbers of older people requiring support which is above the national average and moving investment from institutional approaches, such as residential care, to more local outcomes delivered through personal budgets.

At the same time the Council is focussing on working in partnership with the NHS, Police and other stakeholders to ensure that vulnerable adults and older people are safeguarded, and that joined up interventions, such as, intermediate care and reablement are delivered to ensure that local people are enabled to lead as independent lives as possible. The focus for Children's Services will be on transforming its relationship with schools in line with national policy changes and focusing on raising standards. There will be a continued focus on protecting children and on supporting the vulnerable through early intervention and prevention. Partnership working and cost effective and efficient commissioning arrangements will remain central to service delivery. Meanwhile, there has been a focus on reduced cost in statutory provision and a movement away from non statutory in Sustainable Communities and greater efficiency in the corporate support functions. The full detail is set out in Appendix A(ii).

7. Central Bedfordshire is performing well and is in the upper quartile when compared with its statistical neighbours. Further commentary on performance is included in Appendix A(iii) which also sets out a high level assessment of value for money. Central Bedfordshire is the fourth lowest spender of the same fifteen statistical neighbours which in part is down to the efficiencies delivered over the past two years.
8. Finally, below is a restatement of the Budget Objectives, also set out in the Draft Budget Report
 - A sustainable medium term financial plan that allows the achievement of the Council's key outcomes;
 - Realistic levels of year on year spending which are supportable via annual income streams and do not require the use of general reserves to support recurring expenditure; and
 - General reserves maintained at all times at or above the agreed minimum level.

Economic Context

9. The economy has continued to grow after moving slowly out of recession in the final quarter of 2009/10. 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. The latest Bank of England forecast which has input from a number of economic commentators is anticipating growth of the order of 2% in 2011/12.

Table 1 – Economic Growth

	%
Qtr 1 Mar 2010	0.4
Qtr 2 Jun 2010	1.2
Qtr 3 Sep 2010	0.8
Qtr 4 Dec 2010	0.5

10. The Bank of England has revised its forecast for CPI (Consumer Price Index), the official measure of inflation, in recent months. It is currently at 3.7% (December) up by 0.1%. It will rise in January with the increase in VAT, with the forecast being a drop to 3% by the third quarter of 2011. The Retail Price Index (RPI) which arguably has a greater impact on Council spend had been declining since peaking at 5% in June but rose to 4.8% in December. The expectation is also for a further decline during 2011.
11. The Basic Interest Rate continues to hold at its historically low level of 0.5% and there was a strong majority in the Monetary Policy Committee in December in favour of keeping it at this level. The mid line forecast is for it to hold at this level until the second quarter of 2011 when it will start to rise. The rise is anticipated to be gradual though up to 1.25% at the end of the first quarter of 2012. This naturally continues to impact on the returns earned by the Council on its investments.
12. Unemployment remains high at 2.5 million and the recovery is very sluggish. Further, the majority of new jobs continue to be part time so the increased benefit caseload has not eased. The overall outlook is not good with the Government spending cuts expected to bite over the next six to twelve months.
13. Property Prices continue to be uncertain. There has been no consistent pick up in prices since the end of the recession and recently forecasts from major building societies are for a marginal decline over the forthcoming months. This of course has an impact on the council's Capital Programme and the potential to fund capital investment through capital receipts.

Local Government Finance Settlement

14. The Local Government Finance Settlement was announced, subject to a six week consultation period, on 13 December. It is the most severe settlement ever received by local government and will challenge authorities nationally on the delivery of services.
15. There has been a significant rationalisation of grant streams, which is covered in more detail later in this report, with all funding now through Formula Grant and six specific grants where there had been in excess of forty. Behind this rationalisation there is an overall reduction in funding approaching £14M. Whilst the Government's Spending Review in November set out high level spending plans for the period 2011/12 to 2014/15 the detailed settlement is only for 2011/12 and 2012/13.
16. The Government consultation period on the settlement ended on 23 January and there have been no significant amendments to report.

Consultation on Savings Proposals, Base Budget Build and Draft Budget

17. There has been extensive consultation on proposals throughout the 2011/12 budget process.

18. Saving Proposals outlined in reports to the Executive in November and December have been thoroughly reviewed by the Council's Overview and Scrutiny Committees. Further Customer & Central Services Overview & Scrutiny Committee considered the draft budget on 17 January and Fees and Charges and Capital proposals were considered by all Overview & Scrutiny Committees in the January cycle of meetings. Their comments are included in full in Appendix B(i) and are generally supportive of the proposals in the context of the Government spending reductions. The exceptions were in respect of:

November cycle

- OCE1b, reduction of Scrutiny Team staff – consider against the review of legal and democratic services;
- OCE8, 10% cut to voluntary sector grants –consider a more targeted approach;
- C&CS2, Ampthill customer services – delay by a year to enable greater collaboration;
- HT4, school crossing patrols – seek to transfer this provision to schools wherever possible;
- CS5, remodelling of youth service – urged to adopt a two phase approach

December cycle

- C&SS19, transfer of provision of public conveniences – ensure transfers are undertaken in a mutually agreed timeframe;
- CSPPWL8, Sandy Leisure Centre – requested to proactively seek alternative providers;
- CS9a, Music Service – requested to reserve decision until publication of Henley Review and explore creative ways to retain the service.

January cycle

- Off Street Car Parking charging – further work required.

19. The Council has adopted a proactive approach to communication and engagement on the 2011/12 budget with a wide range of individuals, organisations and stakeholder groups. Examples include a citizen workshop, face to face meetings with groups such as the Carers Forum, Youth Parliament, School Governors and Headteachers' Forums, the Business community and the voluntary sector. There has also been direct communications to service users and stakeholders. Public communication and engagement has been managed through the Central Bedfordshire Council website, News Central (the Council's community magazine) and Let's Talk Central, the Council's community discussion website.
20. A number of the proposals and suggestions made through the engagement process have already been taken on board by the Council. The suggestions, for example, that the Council should reduce costs through cutting management has been progressed through a review of Senior Management. This was initiated in 2009 and has resulted in a 25% reduction in this overhead. Specific customer and interest groups have also had opportunities to feedback through the general mechanisms listed above and service specific exercises such as User Group meetings at Leisure Centres and through submission of both conventional and electronic petitions.

21. More detailed information on the Council's Communication, Engagement and Consultation exercises and a summary of the feedback gleaned from these processes is attached at Appendix B(ii) and from public petitions in Appendix B(iii). The key issues are in respect of :
- School Crossing Patrols
 - Leisure Centres
 - Mobile Libraries
 - Music Service
 - Youth Service
 - LuDun

Medium Term Financial Plan 2011/12 to 2014/15

Summary

22. For 2011/12 Central Bedfordshire has total external resources of £337.259M and expenditure plans to match which include a continued contribution to build general fund balances to an optimum level. Appendix C summarises the overall position across the medium term and on a year by year basis and also includes reconciliation to the Draft Budget. Appendix D provides greater detail at a service level including narrative on service provision as well as spend.
23. There is a statutory requirement for the Section 151 Officer (Chief Finance Officer) to advise on the robustness of estimates and adequacy of reserves. A full evaluation is given in Appendix E. The Base Budget review which has been an integral part of the 2011/12 process has definitely added to the robustness of the estimates. However, the level of savings to be delivered presents a significant risk and will need rigorous monitoring throughout the year and is a major factor in the review of General Fund Balances. Both the minimum and optimum levels have been revised upwards.
24. The summary position for 2012/12 is set out in the following two tables. Firstly, Table 2 sets out the gross spend of £337M supported by equivalent funding through Council Tax, Government Grants, contributions and fees and charges.

Table 2 – Analysis of Income

	£m	£m
Gross Expenditure		337.259
Funded By:		
Formula Grant	-50.581	
Council Tax	-130.688	-181.269
Grants & Contributions		-41.963
Fees & Charges		-36.402
Other Income		-77.625
Gross Income		-337.259

25. Table 3 sets out the key elements of the budget build with commentary in the following paragraphs of the report. The first half of the table sets out the funding build and the second half spending.

Table 3 – Key Elements of the Budget Build

	Paragraph	£M	£M
Funding			
Formula Grant	27 to 32		-50.581
Council Tax	33 to 35		-130.688
Total Funding			-181.269
Spend			
Base Budget 2010/11	36 to 37		177.028
Base Budget Adjustments			7.602
Revised Base			184.630
Inflation	38 to 41		1.374
Expenditure Pressures	42 to 44	3.693	
Loss of Specific grant/Area Based Grant	27	14.148	17.841
Corporate Measures	45		-1.578
New Homes Bonus	31		-1.803
Savings	46 to 48		
Full Year Effect of 2010/11 Savings		-1.445	
Cross Cutting Efficiencies		-5.022	
Service Efficiencies		-6.440	
Service Reductions		-6.288	-19.195
Net Expenditure/Budget Requirement			181.269

26. Table 4 below details the budget build by directorate for 2010/11. There has been a degree of rigour to the budget planning and these represent realistic targets for the directors to meet to deliver their services.

Table 4 – Budget Build By Directorate

	Base	Inflation	Pressures /Loss of Grant	Savings	2011/12 Budget
	£m	£m	£m	£m	£m
Social Care, Health & Housing	50.968	0.518	9.320	-4.502	56.304
Children's Services	32.442	0.151	7.935	-4.957	35.571
Sustainable Communities	47.330	0.279	7.121	-3.752	50.978
Customer & Shared Services	22.130	-0.219	1.243	-2.756	20.398
Office of the Chief Executive	4.182	-0.038	0.401	-0.712	3.833
Corporate Costs	15.436	-0.117	0.754	-3.205	12.868
Contingency & Reserves	4.540	0.800	-3.337	-0.686	1.317
	177.028	1.374	23.436	-20.569	181.269

Formula Grant and External Funding

27. There has been a restatement of Formula Grant for 2010/11 with the transfer in of a number of specific grants and elements of Area Based Grant. Central Bedfordshire's restated base figure is £59.016M. For 2011/12 the comparative sum is £50.581M, a reduction of 14.3%.
28. There is a complex national distribution formula known as the 'four block model' and also a number of transitional arrangements known as floors and ceilings in place. Without these transitional arrangements in place Central Bedfordshire settlement would have been £1.8M less; there is a risk going forward as these transitional arrangements unwind. Also the 'four block model' is not well regarded and the Government's intention is to review it and have a replacement in place for 2013/14.

29. There are four specific grant streams: Learning Disability, Early Intervention Grant, Housing Benefits Subsidy and Preventing Homelessness which total £20.387M, a like for like reduction of 2.9% compared with 2010/11. Learning Disability funding was routed through the PCT in 2010/11 and not received direct from Government. Additionally, there is £2.252M for provision of services previously delivered by the National Health Service. There will, therefore, be new accountabilities for the Council and clarity is being sought on these requirements.
30. There has been a radical shake up of the Dedicated Schools Grant which is now expanded to take in a number of specific grants previously directed to schools through the local authority.
31. Over and above the resources set out above Central Government has introduced a new grant, New Homes Bonus which effectively replaces Housing & Planning Delivery Grant (HPDG) which will help support housing growth in Central Bedfordshire. Dependence on HPDG had been taken out of the income target for Sustainable Communities so this new grant can support the overall budget.
32. Full detail on Formula Grant and other external funding is set out in Appendix F.

Council Tax

33. Central Bedfordshire plans to freeze Council Tax for 2011/12 and there will be Government support for this across the life of the Spending Review period. Harmonisation of the Council Tax Rate across the authority will take place during 2012/13 and 2013/14 financial years. It was not financially viable to freeze Council Tax and harmonise in the same year as there would have been a loss of resources of £1.6M.
34. Table 5 sets out the rates for 2011/12 and gives an indication of how harmonisation could be effected in the subsequent two years.

Table 5 – Harmonisation of Council Tax

	2010/11	2011/12	2012/13	2013/14	2014/15
<u>% Increase</u>					
North	3.50	0.00	2.50	2.50	
South	2.34	0.00	1.20	1.05	
	2.95	0.00	1.89	1.82	1.00
<u>Rate £</u>					
North	1,308.33	1,308.33	1,341.04	1,374.57	
South	1,344.15	1,344.15	1,360.28	1,374.57	
	1,324.96	1,324.96	1,349.96	1,374.57	1,388.31

35. Despite the Council Tax freeze for 2010/11 receipts are up by £1.908M as a consequence of a modest increase in the tax base and also the change in policy for relief on empty homes. A similar growth in the tax base is forecast across the medium term. Full details are set out in appendix G. For 2010/11 growth in the tax base was not as strong as had been anticipated and there is a one off deficit on the collection fund of £0.634M.

Base Budget

36. The key element of the budget build for 2011/12 has been a fundamental review of the base budget. This exercise which tied directly to the half year budget monitoring position for 2010/11 has identified £7.602M to be added to the base for 2011/12 and this is summarised by directorate in the following table. A review of base budgets was considered by the Overview & Scrutiny committees in their December cycle of meetings. There is greater assurance that budgets and activity are fully aligned which will greatly aid budget monitoring in the new financial year. Greater detail on the review is set out in Appendix H.

Table 6 – Base Budget Pressures

	£M
Social Care Health & Housing	2.222
Children's Services	3.395
Sustainable Communities	1.355
Customer & Shared Services	1.133
Office of the Chief Executive	0.074
Corporate Costs	-0.577
Total General Fund	7.602

37. The key issues that have been addressed are:

Social Care Health & Housing: increased demographic pressures which could not be funded as part of the 2010/11 budget and continued growth during the year especially in respect of transitions from Children's Services;

Children's Services: nationally, the Baby Peter case has continued to have an impact on the volume of referrals for safeguarding and the number of looked after children ;

Sustainable Communities, the historical reliance on Housing Planning Delivery Grant in the income budget has been addressed; this had previously been identified in the Budget strategy;

Customer & Shared Services the review has addressed some historical budget issues in HR, ICT and Property.

Inflation

38. For 2011/12 there have been broad assumptions made on inflationary uplifts for pay and prices and these are set out in Table 7 below.

Table 7 – Inflation Assumptions

Spend type	2011/12	2012/13 and future years
	%	%
Employees' Pay	0.0	1.0
Prices	0.0	2.0
Contracts	2.0	2.0
Income	5.0	2.0

39. The assumption is for a nil increase in pay for 2011/12 for local government workers and hence no uplift here. The organisation is now entering its third year and there is to be no provision for further increments. In order to meet the financial challenges faced by the Council there is also to be no additional provision for price inflation. For 2013/14 there will be a 2% increase in the Employer's Superannuation Contribution to 23.7%. With CPI at 3.3% and RPI at 4.8% for December this will put some pressure on services and will need to be absorbed. An assessment of these assumptions is included in Appendix E.
40. There is 2% uplift provided for contracts. Central Bedfordshire has written to all its major suppliers requesting restraint on the annual uplift applied to all contracts. However, there is no guarantee that 2% will be sufficient to cover rising costs here. Where that is the case services have identified the potential pressure and £0.8M has been set aside in Contingency for allocation in year when the annual uplifts are applied to contracts.
41. Also in response to the mounting financial challenges a 5% uplift has been applied to all fees and charges. This is covered in more detail in the Fees & charges section below.

Expenditure Pressures

42. Despite the reduction in Government resources there are continuing demands on local authorities. These are most notable in Adult Social Care with the growth in the 65+ and 85+ population. Numbers here are set to grow by 23% and 33% respectively by 2016. £1.655M has been provided in 2011/12 and £2.540M in 2012/13.

43. As previously identified there are also continuing commitments are in respect of the year on year increases in landfill tax. Since the publication of the draft budget there has been a Government announcement on the funding of asylum seekers which gives rise to a pressure of £0.467M. Also the previously identified risk in respect of schools becoming academies has been quantified and £0.550M provided. Finally, the closure of the Home Farm Trust, which has been highlighted in the Budget Management reports in 2010/11 has meant the need for in house provision for a number of elderly clients. Central Bedfordshire is technically their 'ordinary residence' and as such provision is the responsibility of this council. For 2011/12 this additional cost can be met through an earmarked reserve and thereafter an additional £1.525M will be required.
44. These pressures are summarised in Table 8 below and set out in further detail in Appendix I which also includes the impact of the Government Grant reductions on a service by service basis.

Table 8 – Expenditure Pressures

	2011/12	2012/13	2013/14	2014/15
	£M	£M	£M	£M
Demographic	1.655	2.540	2.510	
Ordinary Residence				
Commitment	0.575	0.950		
Contribution	-0.575	0.575		
Academies	0.550			
Asylum Seekers	0.467			
Employer's Pension			1.561	
Carbon reduction				0.542
Landfill Tax	0.440	0.440	0.440	
Other	0.581	0.148	-0.188	
Total	3.693	4.653	4.323	0.542

Corporate Measures

45. In assessing the overall resources and pressures facing the Council there has been a review of a number of the 'corporate budgets'. Additional Capital Financing costs have been reduced year on year due to the successful review of the 2010/11 Capital Programme. There was a one off contribution to redundancy in 2010/11 and this has been replaced with a £0.750M contribution per annum for the next three years to supplement the £1.5M in the earmarked reserve. There is also an expectation that a capitalisation directive will be received to support this expenditure in year for 2011/12. There has been a corporate contingency budget which has been essential in the past with uncertainty between budget and activity. There is a £393K release of the HPDG earmarked reserve ahead of the general review of earmarked review which will be a feature of the 2010/11 closure of accounts. The base budget build has given greater assurance and the General Fund balances will be used for in year variations. The Authority's policy on the General Fund Balances is unchanged. These balances are now above their minimum level and the annual transfer from the revenue budget will be adjusted to £1.0M per annum to build them up to the optimum level. Finally, there will be a review of the Insurance Reserve and for 2011/12 only there will be a hold on the contribution made from revenue.

Savings – Efficiencies and Reductions

46. In line with the strategy set out in paragraph 6 and detailed in Appendix A(ii) the overriding aim has been for great efficiency and to protect front line services, as far as possible.
47. The savings proposals detailed in Appendix J include cross cutting efficiencies of £5.022M through such initiatives as increasing income through fees and charges, improved procurement, reconfigured passenger transport arrangements and migration of services to the contact centre. There is further narrative on these efficiencies in Appendix E. There are also service specific efficiencies totalling £6.440M. These now include a target for medium term accommodation savings which had previously been unquantified.
48. There has been some need for service reduction which in total saves the Council £6.288M to balance the budget. Due to the financial challenge faced by the Council it has not been possible to address all of the concerns raised by Overview & scrutiny and public consultation. There has been a preliminary review of the Council's Earmarked reserves ahead of the closure of the 2010/11 accounts. These reserves had been subject to a fundamental review in 2009/10 at which time they were significantly reduced and the majority of funds held belong to schools, the Housing Revenue Account or are set aside for insurance claims or redundancy. Nevertheless, £393K has been identified from Sustainable Communities in respect of the HPDG Reserve as being able to be released along with £100K from corporate contingency. Of this £95K is proposed to be put aside to support School Crossing Patrols from 1 April 2011 whilst contributions are sought from communities and partners during the course of the year to secure the patrols over the longer term. Further, £250K will be set aside whilst the work on Car Parking charges by the Scrutiny Task Group comes to a conclusion. The remainder will facilitate the transfer of services to partners and communities and that the costs of Public Conveniences be a first charge against this during 2011/12.

The Medium Term

49. The focus has naturally been on 2011/12 given the front loading of Spending Review reductions by the Coalition Government.
50. There has, nevertheless, been some attention given to future years and the table below sets out indicative resources and spending proposals across the medium term. Future pressures included are an increase in the Employer's Pension contribution from 21.7 to 23.7% from 1 April 2013 and the introduction of the Carbon Reduction Commitment from 1 April 2015.

Table 9 – Funding over the Medium Term

	2011/12	2012/13	2013/14	2014/15
	£M	£M	£M	£M
Funding	-181.269	-179.287	-182.132	-181.861
Spending	201.838	186.030	185.022	184.528
Savings identified	-19.124	-3.389	-2.825	0.000
FYE of Prior Years	-1.445	-1.414	-0.040	0.000
Savings to be identified	0.000	-1.940	-0.025	-2.667
	0.000	0.000	0.000	0.000

51. Across the medium term there is currently a gap of £4.632 with £1.940M of this in 2012/13. It is essential that work commences at the earliest possible opportunity to identify proposals to bring forward a balanced budget across the medium term.

Fees & Charges

52. The majority of fees and charges have been increased in line with the Council's Corporate Strategy and were recommended on to Council by the Executive on 11 January. The Fees and Charges report also included increases in respect of specific saving proposals including the Music Service and Blue Peris Mountain Centre as well as areas where increases are below the recommended 5%. This included Adult Social Care charges that have been increased by 3.1% in line with the DWP statutory increase in benefits pensions and the Building Control Fees that were revised due to changes in legislation in October 2010. Executive on 11 January did comment on a number of fees being set to the penny and advised to round figures to the nearest 10p or £1 as appropriate.
53. The Council has undertaken a fundamental review of its fees and charges for 2011/12. Supported through extensive benchmarking, business cases were brought forward in 14 areas. These business cases were considered by an Overview & Scrutiny Task Group and the Overview & Scrutiny Committees in January 2011.
54. Appendix K details the full schedule of fees and charges for approval including those supplementary ones arising from the fundamental review. Of greatest note are advertising and sponsorship, car parking charges, libraries and waste services.

Capital Programme

55. The Capital Programme 2011/12 to 2014/15 is considered as a separate item on this agenda.
56. There has been an acknowledgement that the year on year commitment to additional borrowing was not sustainable. The review of the 2010/11 schemes reported to the Executive in November made an initial reduction in this commitment which is taken further in future years. The full four year programme is summarised below.

Table 10 – Summary Capital Funding

	2011/12	2012/13	2013/14	2014/15
	£M	£M	£M	£M
Spend	68.291	26.727	24.775	24.346
Funded by:				
Resources Associated with Slipped Schemes	5.215	(0.943)	0.000	0.000
Grants & contributions	47.128	13.984	11.610	11.081
New capital receipts	5.500	10.300	12.003	5.782
Existing capital receipts	2.748	0.000	0.000	0.000
Borrowing	7.700	3.386	1.162	7.483
	68.291	26.727	24.775	24.346

57. The capital financing requirements of the programme are included in the budget plans above. The final details of the schools capital funding were announced in December 2010. These included additional grant allocation in respect of basic need and schools capital maintenance that were significantly above the levels originally assumed in the Medium Term Financial Plan. This has increased the levels of gross expenditure and grants and contributions within the 2011/12 Capital Programme. As a result of the funding changes the net expenditure commitment that was scheduled to be met through borrowing will be reduced by £2.000M. Further revisions have been made to the Draft Capital Programme to reflect the need to establish a General Maintenance Contingency of £1.000M. These amendments leave an overall borrowing requirement for 2011/12 of £7.700M.

Treasury Management

58. The Treasury Management Strategy was agreed by Executive on 11 January for approval by Council on 24 February. The overarching Policy does give a commitment to achieving Best Value but there is a desire to make include a similar statement in the Strategy itself. It is proposed to include the additional wording text in Section 1 of the Strategy that will now be called "Background and Treasury Objectives."

“This Council undertakes its treasury management function with the objective that it positively contributes towards the achievement of its Medium Term Financial Strategy. It is therefore committed to the principles of achieving best value in treasury management through minimising borrowing, where appropriate, and maximising its returns on investments. This will be achieved through employing suitable performance measurement techniques, within the context of effective risk management.

59. There is no change to the approach on Minimum Revenue Provision, the financial impact of which is provided for in the Medium Term Financial Plan. The approach is, however, been jointly reviewed with the Council’s treasury management advisers.

Housing Revenue Account

60. A full report on the Housing Revenue Account (HRA) is set out in Appendix I along with the Medium Term Business Plan. The key issues are set out briefly below. On balance, the HRA is in strong position as the Council prepares for the implementation of the Government’s Self Financing proposal during 2011/12. It is the dawning of a new era in council housing finance; that will see the abolition of the national HRA subsidy system in March 2012. That new system introduces new risks, and a debt figure of approximately £150-180 million will be imposed on the Council, whilst the Council will retain all of its rental income in future.
61. There is a healthy business plan in place which is sustainable over the medium term. Whilst the Business Plan was independently assessed during 2009, it is necessary during 2011, on completion of a stock condition survey, to re-construct a new Business Plan Model. Independent advice will be obtained to support that work and to consider the fundamental shift in financial risk. The Council will engage with tenants and leaseholders to consider all options for future management of the stock.
62. The Decent Homes standard was achieved by the 31st December 2010, this being the culmination of a ten year programme to improve the condition of the stock. However, Decent Homes is not an especially high standard and there are issues to be resolved through future stock investment programmes and strengthening our approach to asset management. This includes opportunities for stock re-modelling and to improve environmental performance, so as to tackle fuel poverty issues.
63. The Retail Prices Index is at 4.8% and the proposed rents are set in line with the Government’s recommended guideline rent increase, which is an increase of 7.02% on average for Central Bedfordshire Council tenants. The formula is based on an increase in rent of RPI + 0.5% + a contribution towards closing the gap between average local authority rents and Housing Association Rents, as council rents lag behind. To put this in context, the Government is proposing that Housing Association rents for new build affordable housing and also re-lets of existing accommodation, should increase up to 80% of market rents.
64. The HRA Capital Programme has a gross expenditure requirement of £4.713M in 2011/12. This is to be financed through the Major Repairs Allowance (£3.849M) and revenue contributions (£0.864M).

Equality Impact Assessment

65. There has been a comprehensive assessment of all of the proposals in the report on the community. Appendix M of this report summarises the findings of assessments that have identified proposals which have the most significant implications in relation to the Council's statutory equality duties. Copies of Equality Impact Assessments can be provided on request.

Appendices:

Appendix A(i) – Outcomes

Appendix A(ii) – Strategic Direction

Appendix A(iii) - Performance

Appendix B(i) - Scrutiny Comments on proposals

Appendix B(ii) - Public Comments on savings proposals

Appendix B(iii) - Petitions

Appendix C(i) – Medium Term Financial Plan 2011/12 to 2014/15 Four Year Summary

Appendix C(ii) – Medium Term Financial Plan 2011/12 to 2014/15 Annual Summaries

Appendix C(iii) – Reconciliation of Movements from Draft Budget

Appendix D(i) – Service narratives

Appendix D(ii) - 2011/12 budget, directorate summaries by service

Appendix D(iii) - 2011/12 budget, directorate summaries by expenditure

Appendix E – Robustness of estimates and adequacy of reserves

Appendix F - Finance Settlement

Appendix G(i) – Council Tax Base

Appendix G(ii) – Council Tax rates and yields

Appendix H – Base Budget Pressures

Appendix I – Unavoidable Pressures

Appendix J – Efficiencies/Service Reductions

Appendix K – Supplementary Fees & Charges

Appendix L(i) – Housing Revenue Account Business Model

Appendix L(ii) – Housing Revenue Account 2011/12 Financial Summary

Appendix M – Equality Impact Assessment

Background Papers: (open to public inspection)

Budget Strategy - Executive, August 2010

Corporate Strategy – Executive, November 2010

Corporate Strategy Update – Executive, December 2010

Draft Budget – Executive, January 2011

Location of papers: (Insert location where papers are held)