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**Meeting:** Executive

**Date:** 14 February 2012

**Subject:** Budget 2012/13 and Medium Term Financial Plan 2012 to 2016

**Report of:** Cllr Maurice Jones, Deputy Leader and Executive Member for Corporate Resources

**Summary:** The report proposes the Council's spending plans for the medium term and Council Tax rate for 2012-13 with indicative figures for future years.

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**Advising Officer:** Charles Warboys, Chief Finance Officer

**Contact Officer:** Charles Warboys, Chief Finance Officer

**Public/Exempt:** Public

**Wards Affected:** All

**Function of:** Executive

**Key Decision** Yes

**Reason for urgency/  
exemption from call-in  
(if appropriate)** Not applicable

#### **CORPORATE IMPLICATIONS**

##### **Council Priorities:**

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

##### **Financial:**

The financial implications of the Budget and Medium Term Financial Plan are 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 2012/13 by 11 March 2012.

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

Additionally, the Council must undertake consultation with those who may be directly affected by the implementation of proposed budget, including staff and service users.

The efficiency proposals outlined in Appendix I 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.

The efficiency proposals may also require further service user consultation, as more detailed development work is undertaken.

Section 25 of the Local Government Act 2003 requires the Council's Section 151 Officer to comment on the adequacy of reserves. This commentary is set out in detail in Appendix E.

**Risk Management:**

In considering the budget proposals, it is necessary to take account of the associated risks. These are included within this report in a statutory section on the Section 151 Officer's assessment of key risks in paragraph 33 below.

**Staffing (including Trades Unions):**

Staffing implications are set out in the report and appendices.

**Equalities/Human Rights:**

Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age disability, gender re-assignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

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 with different protected characteristics.

As part of the budget setting process the Corporate Policy Team have screened all the budget proposals and identified issues that may require an equality impact assessment to be undertaken. Heads of Service/Lead Officers have undertaken these assessments with assistance and quality assurance checks from the Corporate Policy Adviser (Equality and Diversity). The Central Bedfordshire Equality Forum has also been consulted on this process.

In selecting the proposed efficiencies a conscious effort has been made to protect front line services by cutting overheads. As a result the equality implications have been minimised.

Appendix K 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. The Appendix also highlights those proposals which are in the early stages of development and for which equality impact assessments will be developed and further consultation undertaken.

Copies of Equality Impact Assessments can be provided on request.

### **Community Safety:**

Amendments to some budgets may have an impact on the delivery of community safety priorities in the future. Specific proposals will be subject to detailed review by officers.

### **Sustainability:**

Key sustainability issues, such as climate change, represent opportunities for the Council to make efficiency savings by decreasing energy use and the total spend on energy. Failure to take action leaves the Council vulnerable to the impact of increasing energy prices.

### **Overview and Scrutiny:**

The draft Budget Report and draft Fees and Charges schedule were considered by the Overview and Scrutiny Committees in the December cycle of meetings, with no substantive amendments proposed. The Social Care, Health and Housing Overview and Scrutiny Committee recommended that the issues considered by them were brought to the attention of the Executive, and these are listed in paragraph 35 below.

## **RECOMMENDATIONS:**

- 1. that the Executive recommends Council to:**
  - (a) note the response to consultation with Overview & Scrutiny as set out in paragraph 35 and the response to consultation with the public and stakeholders as set out in Appendix A;**
  - (b) agree the Revenue Budget for 2012/13 and the Medium Term Financial Plan for 2012/13 to 2015/16;**
  - (c) note the following adjustments to the draft Budget :**
    - additional pressures of £1.5 million in 2012-13;**
    - additional efficiencies of £0.77 million in 2012-13; and**
    - reduction in estimated 2012-13 inflation provision of £1 million.**
  - (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
  - £1,326.24 for residents in the South of Central Bedfordshire
- (f) agree the fees and charges set out in Appendix J;
- (g) agree that the budget is predicated on an assumption that non statutory HR, payroll and bursary services to schools will generally cease from September 2012, with full cost recovery where schools have been unable to make alternative provision by that date;
- (h) note that certain efficiency proposals identified in Appendix I are still subject to formal consultation and Equality Impact Assessment and instructs the Corporate Management Team to propose alternative compensatory savings where it appears, following a review of the outcome of the consultation and Equality Impact Assessment, that any specific proposal cannot be delivered.

*Reason for Recommendations:* To agree a balanced budget for 2012/13 and identify resource requirements for the Medium Term.

## **Executive Summary**

The Council approved the Medium Term Financial Plan (MTFP) for 2011/12 to 2014/15 in February 2011, following the Comprehensive Spending Review which announced substantial reductions in funding for local authorities. The MTFP has been updated and extended to 2015/16 and a Budget for 2012/13 prepared reflecting further changes in funding and cost pressures and efficiencies, including those realised in 2011/12. There will be no increases in Council Tax and a commitment to harmonise rates in the North and South of Central Bedfordshire over a two year period.

## **Introduction**

1. The MTFP is intended to set out a sustainable and affordable financial plan that addresses the Council's priorities over the next four years. It should provide for realistic levels of spending, not dependent upon the use of one-off reserves. It should provide for a prudent level of reserves for contingencies.
2. The Budget for 2012/13 sets out the Council's finances for 2012/13 and identifies the efficiencies required to produce a balanced budget in the light of the ongoing reduction in funding from Central Government and other pressures. £11.3 million of efficiencies are identified for 2012/13 to produce a balanced budget. A further £26.8 million of efficiencies are required over the subsequent three years to achieve the proposed MTFP.

3. The Capital Programme is considered as a separate report on the Agenda, however, by way of context, the key figures within the Capital Programme Report include:
  - planned gross expenditure of £79.9 million (excluding Housing Revenue Account [HRA]);
  - £49.4 million of external funding; and
  - HRA programme expenditure of £6.1 million.
4. Fees and Charges have been set with a 2% uplift on the prior year in the majority of cases.
5. The initial Comprehensive Spending Review announcement on 20 October 2010 was for a 28% reduction in Government funding support to councils over four years with substantial “front loading” of the reduction, which caused considerable problems in the previous financial year. The Local Government Finance Settlement closely followed the initial announcements, albeit with the position complicated by transfers between different grant streams.

## **Background**

6. There are significant social and economic drivers of change within Central Bedfordshire across the medium term and beyond, particularly:
  - demographic growth by 2016, including an:
    - 8% increase in the population;
    - 30% increase in the over 75's population; and
    - 48% increase in the over 85's population
  - child protection cases have increased by 65% over the period 2009 to 2011; mainly in the light of the Baby Peter case;
  - schools moving to Academy status and out of local authority control; and
  - the transfer of public health responsibilities to local government in 2013.

Additionally, technological change is having a profound impact on the delivery and public access to services; this is reflected in use of the internet and social media.
7. The Medium Term Financial Plan (MTFP) has been updated against a background of significant challenges. The Comprehensive Spending Review 2010 (CSR10) reduced Local Authority funding by 28% over four years and the resultant Formula Grant was only defined with any clarity for 2011/12 and 2012/13. Estimates of funding for future years have been made but should be considered as indicative only at this stage. There remains uncertainty around some major grants such as Dedicated Schools Grant (DSG) and Local Authority Central Spend Equivalent Grant (LACSEG), which has again required estimates to be made.

8. The national and European economies remain in a parlous state, with major concerns around the future of the euro currency and other European economies. There is a continuing high level of UK inflation (RPI 4.8 %; CPI 4.2% for December 2011) but interest rates remain very low, with base rate fixed at 0.5%. Economic growth has been low and some commentators are warning of a further recession. Against this unsettled background it is important that the Council establishes a level of reserves which allows it to withstand unanticipated financial impacts of future developments at a local and national level.

### **Council priorities**

9. The Council approved revised priorities and outcomes in February 2010 and a vision for Central Bedfordshire was developed in consultation with key partners. A Sustainable Community Strategy was approved by Council in June 2010. The priorities and respective outcomes endorsed are:

#### 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.

10. Whilst the current vision and priorities remain valid and are driving the allocation of resources, a process of review is planned by the new political leadership of the Council. It is expected that this review will involve stakeholders and partners and will be largely influenced by the views of local residents.

To inform the review, the Council conducted a residents' survey in the autumn of 2011 to establish public priorities on Council expenditure. Residents were also invited to provide feedback on the overall performance of the Council and their perceptions of services.

Headline results on Council performance illustrate that the Council is improving its performance in key areas such as overall customer satisfaction (up by 11% from 2009), customer information (up by 14% from 2009) and quality of services (up by 10% from 2009).

The results also show that concerns about job prospects have increased and although there has been some increase in public perceptions of the Council's delivery of value for money, a significant proportion remain neutral on this topic.

Opinions on specific services have generally improved since 2009, with the exception of Leisure Services where satisfaction has dropped by 6%. Although baseline data was not available in 2009, service satisfaction with Roads and Pavements is relatively low at 23%.

The performance results from the surveys, together with stakeholder and public feedback on the draft budget proposals can be used to inform and influence the Council's budget objectives. This applies to both the Capital and Revenue Programmes.

### **Economic Outlook**

11. (a) Inflation

As explained already, the national and European economies remain in a parlous state, with major concerns around the future of the euro currency and other European economies.

There is a continuing high level of UK inflation (RPI 4.8 %; CPI 4.2% for December 2011) but interest rates remain very low, with base rate fixed at 0.5% for the last 31 months since March 2009.

- (b) Quantitative Easing

The Bank of England announced a £75 billion extension to quantitative easing (QE) in October. No changes to this policy were proposed at the Bank of England's Monetary Policy Committee meeting in December, but it is to be kept under review.

(c) Economic Growth and Unemployment

The Bank's Quarterly Inflation Report has painted a bleak picture as economic growth was downgraded to around 1% in 2011 and 2012. November's employment figures saw unemployment rise by 129,000 in the three months to September resulting in 2.62 million unemployed. Youth unemployment broke through the 1 million barrier increasing the pressure on the Coalition Government to deliver fresh policy initiatives.

**Budget Objectives**

12. The principal objectives of the 2012/13 Budget have been:
- to produce a sustainable plan which allows Council priorities to be delivered;
  - realistic spending year on year not dependent on reserves;
  - reserves increased to and then maintained at, or above, an agreed level which reflects the risks faced by the Council;
  - zero Council Tax increases over the MTFP period;
  - cuts to front line services to be avoided; and
  - a commitment to efficiency as a means of delivering savings.

**Medium Term Financial Plan**

13. Formula Grant funding within the revised MTFP over the three years 2012/13 – 2014/15 remains as presented in the MTFP to Council in February 2011 and is shown below at Table 1 which is extended to include 2015/16.

Table 1

£M	2011/12	2012/13	2013/14	2014/15	2015/16
Formula Grant	50.9	44.8	44.4	41.9	40.5

However, it should be noted that Government has defined formula grant up to 2012/13 with only indicative figures for the later years.

14. The key elements of the draft MTFP for 2012/13 to 2015/16 are shown at Appendix C. Table 2 below shows a summary of the plan with Table 3 providing the funding assumptions within the plan.



Table 2

£M	2012/13	2013/14	2014/15	2015/16
Funding	-179.2	-176.0	-173.5	-169.7
Spending	190.2	187.3	182.0	179.0
Savings	-11.3	-10.6	-9.4	-6.8
Additional contingency / (Savings to be identified)	0.3	-0.7	0.9	-2.5
<b>Net Balance</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

15. Funding assumptions include the Council Tax Freeze Grant announced in November 2010 which lasts for the period of the CSR10 (i.e. to 2014/15) but current plans see this being removed in 2015/16. In addition, there is a one-off Council Tax Freeze Grant for 2012/13 announced in October 2011. There is no assumed increase in the Council tax rate during the MTFP period but the tax base is assumed to grow by 0.7% each year. This is covered in more detail in paragraph 16 below.

Table 3

£M	2012/13	2013/14	2014/15	2015/16
Formula Grant	44.8	44.4	41.9	40.5
Council Tax	131.2	131.6	131.6	129.2
Council Tax Freeze Grant	3.2	0.0	0.0	0.0
<b>Total funding</b>	<b>179.2</b>	<b>176.0</b>	<b>173.5</b>	<b>169.7</b>

16. There are a number of significant changes that are likely to have an impact upon the Council's finances in the medium term that are unquantifiable and therefore excluded from the MTFP at this stage:

a) Localisation of NNDR

Current arrangements involve local councils receiving funding through the formula grant that is determined using a number of factors to establish local resourcing needs. One of the main components of the formula grant is National Non-Domestic Rates, commonly known as business rates. Business rates are currently collected locally and redistributed through the formula grant.

Government proposals have been announced to change the current system by enabling councils to keep a share of growth in business rates within their area. Our authority would still bill and collect business rates, as now. However, instead of contributing all business rates to the central pool and receiving formula grant, under the new proposals, some of the business rates would be retained locally.

A baseline level of funding will be set up at the start of the system that is equivalent to current funding levels. From that point onwards the authority's funding would grow if the business rates base in the area grows but could fall if the business rate base declines.

The changes are due for implementation from 2013 but clarification of the full details is still awaited.

#### b) Welfare Reform

The Welfare Reform Bill was introduced in Parliament in February 2011. The Bill means significant changes to the welfare system. It provides for the introduction of a 'Universal Credit' to replace an existing range of means-tested benefits and tax credits for people of working age, starting from 2013. These may include Housing Benefit which is administered by councils. The Bill follows the November 2010 White Paper, 'Universal Credit: Welfare That Works' that set out the Government's proposals for reforming welfare to improve work incentives, simplify the benefits system and tackle administrative complexity.

In addition to introducing Universal Credit and related measures, the Bill makes other significant changes to the benefits system. These include:

- restriction of Housing Benefit entitlement for social housing tenants whose accommodation is larger than they need;
- up-rating of Local Housing Allowance rates by the Consumer Price Index; and
- capping of the total amount of benefit that can be paid.

The government has yet to confirm the detailed timescale for the full move from the existing benefit systems to the Universal Credit. However, it is clear that this will have significant operational and resource implications for the Council.

More recently the government released a consultation paper on local support for council tax. This stated that council tax benefit would not form part of Universal Credit and would remain a local authority responsibility. The paper also set out the need for a 10 per cent cut in the existing level of support, but with some recipients such as pensioners protected from any reduction in benefit.

### c) Localism Act

The Act provides for the Housing Revenue Account self-financing proposals to proceed. This is the subject of a separate report on the agenda. However, there are other implications including:

- granting of a 'general power of competence' to provide councils with the legal power to do anything which is not specifically prohibited;
- new rights and powers for communities including 'community right of challenge' and 'community right to buy';
- planning system reforms including changes to the community infrastructure levy with a proportion going to neighbourhoods affected by the developments.

The full implementation of the provisions of the Act may have significant service implications and hence budgetary implications for the Council.

## **Budget 2012-13**

### Draft Budget

17. Following the base budget build exercise undertaken for the 2011/12 budget cycle, a similar approach was adopted for the 2012/13 draft budget. The draft budget build was based upon the forecast outturn position for 2011/12 taking account of the budget management information as at 30 September 2011 and new pressures and efficiencies identified as part of the budget process. The draft budget position was presented to Overview and Scrutiny Committees during their December cycle of meetings.

### Amendments to draft budget

18. Since the draft budget was produced in December a thorough review has been undertaken of the cross-cutting efficiencies included in the 2012-13 budget.

As part of the draft budget process, Sustainable Communities and Corporate Services were required to identify further potential savings of £0.75 million and £1 million respectively. These have now been critically reviewed and detailed plans developed and both targets can be delivered through the proposals set out in this budget.

The opportunity was also taken to identify further potential efficiencies and savings to address the additional pressures set out below.

This has led to additional savings budgeted since the draft budget of £0.77 million identified. Refer to Appendix I for details.

19. The draft Budget 2012/13 also contained an unallocated procurement target of £0.5 million but since there are significant procurement savings already built in to directorate budgets (approximately £4 million) this target has been removed. Work will continue to identify opportunities for further procurement savings.

20. A review was also carried out of 2011/12 cross-cutting efficiencies which have not been delivered in the way envisaged originally but instead through one off compensatory savings. The budget must ensure savings are sustainable in future years and therefore these have been removed and added to pressures. Total net value is £1.5m - see Appendix H for details.
21. The provision for inflation (including pay) in the 2012-13 draft budget based on initial allocation was £2.58 million. A detailed bottom-up exercise (with pay at 0%) has since been undertaken, which indicates a necessary provision of £1.58 million. An adjustment of £1 million was therefore applied to revised budget.
22. The net effect of all these changes to the draft budget has been to add £0.3 million to the contingency.

### Capital Programme

23. The adoption of the proposed Capital Programme will place additional pressure on the revenue budget due to additional borrowing and Minimum Revenue Provision charges that are statutorily required. The assumption set out in the Table below is a 90% delivery rate against the Capital Programme from 2011/12 across the entire medium term to 2015/16. The table shows the year on year increase in capital financing costs associated with the proposed capital programme.

	<b>Interest Charges</b>	<b>MRP</b>	<b>Total</b>
2012/13	0.5	0.0	0.5
2013/14	0.9	0.5	1.4
2014/15	0.4	0.3	0.7
2015/16	(0.5)	(0.1)	(0.6)

### Contingency

24. After making the adjustments outlined in paragraphs 18 to 22 above, the contingency stands at £2.4 million.

A contingency at this level is considered appropriate taking into account risk, the level of savings proposed and difficulties in achieving targets (some of which involve significant organisational change) – including uncertainties over future funding.

## 25. Assumptions

The budget is based upon and includes, the following key assumptions:

### **Economic**

- For 2012/13, inflation of 0% on pay, 2% on supplies and services and 2% on income;
- Inflation of 1% on pay, 2% on supplies and services, 2% on income for the years 2013/14 onwards; and
- Interest rates remain constant throughout the plan period.

### **Financial**

- Reserves increasing by £1.4m per annum, rising to the minimum prudent level of £11.2m by the end of 2013/14 (3% gross operating costs);
- Zero increase in council tax over plan period;
- Phased harmonisation of council tax to assimilate Band D equivalent to the lower rate in the former Mid Bedfordshire District area over two financial years;
- Continuation of the original council tax freeze grant from 2011/12, ceasing in 2015/16; and
- New one off Government Council Tax Freeze grant in 2012/13 only.

### **Operational**

- Demographic changes (see Economic drivers for change, paragraph 5 above);
- Collaboration with third parties e.g. ICT, Facilities Management;
- Implementation of the Medium Term Accommodation strategy to optimise the use of administrative and operational buildings;
- Procurement savings through tendering and contract management for example in highways and care services; and
- A move to a Council focussed on outcomes.

### **External**

- Impact of introduction of Universal Credit (see paragraph 15 for detail) is excluded from the model;
- Impact of localisation of council tax benefit is excluded (see paragraph 15 for detail);
- Impact of localisation of NNDR is excluded (see paragraph 15 for detail); and
- Comprehensive Spending Review funding relatively clear for 2012/13 but subject to variation thereafter.

26. **Council Tax**

There is no increase in Council Tax over the plan period with the differing rates between North and South to be harmonised at the lower North rate over a two year period. Table 4 below shows the Council Tax rates planned for each year.

Table 4

<b>Band D Rate £</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
North	1308.33	1308.33	1308.33	1308.33	1308.33
South	1344.15	1326.24	1308.33	1308.33	1308.33

27. Table 5 below summarises the latest position for the Council's finances in 2012/13 based upon the draft budget as per Appendix C.

Table 5

	£M
<b>Net Base Expenditure Budget 2011/12</b>	<b>181.2</b>
Net Inflation	1.6
Unavoidable Cost Pressures	7.4
Efficiencies	(11.3)
Additional Contingency	0.3
<b>Net Expenditure 2012/13</b>	<b>179.2</b>
Funding	179.2
<b>Budget Requirement</b>	<b>0.0</b>

28. Cost pressures are identified at Appendix H with the major items relating to:

- Increased demand for care services from an ageing population £1.4M;
- Increased demand for adult disability services £1.7M;
- Base budget pressures of £2.7 million, which includes:
  - Waste contract price uplifts £0.9M;
  - ICT staffing pressures £0.9M; and
  - Debt financing costs £0.6M.

Base budget pressures have been considered by the Overview and Scrutiny Committees and have been consolidated within the attached schedules as set out at Appendix H to the report.

29. All of the £11.3M efficiencies have been identified and are shown at Appendix I. A summary of these is shown below at Table 6.

Table 6

<b>Efficiencies</b>	<b>2012/13 Savings £M</b>
Directorates:	
Social Care Health & Housing	4.3
Children's Services	2.9
Sustainable Communities	4.0
Corporate Services	1.9
Contingency	(2.1)
Cross Cutting	0.3
<b>Total</b>	<b>11.3</b>

30. Table 7 sets out the Medium Term Financial Plan across all financial years to 2015/16 that incorporates all the funding and spend assumptions included in this report.

Table 7

<b>Medium Term Financial Plan</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
<b>Formula Grant and Council Tax</b>				
Formula Grant	44.78	44.38	41.89	40.45
Council Tax	131.26	131.57	131.59	129.21
Additional Council Tax Freeze Grant	3.20	0.00	0.00	0.00
<b>Total Resources</b>	<b>179.24</b>	<b>175.95</b>	<b>173.48</b>	<b>169.66</b>
<b>Planned Revenue Budget</b>				
Opening Base Revenue Expenditure	360.55	358.94	356.28	354.64
Cost Inflation	2.00	3.24	3.21	3.22
Pressures	7.35	5.41	3.46	2.93
Base Income	-179.28	-179.70	-180.33	-180.98
Income Inflation	-0.41	-0.63	-0.65	-0.66
<b>Total Planned Spend Before Savings</b>	<b>190.21</b>	<b>187.26</b>	<b>181.97</b>	<b>178.97</b>
Efficiency Savings	-11.26	-10.63	-9.39	-6.83
Additional Contingency / (Efficiency Savings to be allocated)	0.29	-0.68	0.90	-2.48
<b>Total Planned Spend After Savings</b>	<b>179.24</b>	<b>175.95</b>	<b>173.48</b>	<b>169.66</b>

### Reserves

31. One of the key objectives of the Budget 2012/13 is to increase General Fund reserves to a risk assessed prudent minimum level. This budget enables this objective to be achieved by March 2014, although it is desirable to achieve this level sooner if circumstances permit. The budget also includes a contingency element of £2.4M. This is to reflect the fact that the council tax freeze grant recently announced is a one-off measure for 2012/13 and cannot be relied upon to fund future spending. There is also the recognition of significant risks within the budget, against which current level of reserves is assessed as too low to be prudent. Should the contingency not be required then at the year end there will be an additional contribution to General Fund reserves, which will provide added financial resilience to help protect the Council against future pressures.



32. The assessment of the appropriate level of reserves will be kept under review. Significant changes at a national level will impact on this, such as the transfer of public health responsibilities; localisation of council tax benefit; localisation of business rates and the introduction of Universal Credit. Table 8 below shows the planned reserves by year.

Table 8

£M	2011/12	2012/13	2013/14	2014/15	2015/16
Opening Balance	7.0	8.4	9.8	11.2	11.2
Planned Contribution	1.4	1.4	1.4	0.0	0.0
Closing Reserves	8.4	9.8	11.2	11.2	11.2

The General Fund balances shown in the above table set out the planned General Fund levels at the end of each financial year. The 2011/12 General Fund opening balance was £7.0M with subsequent planned annual contributions of £1.4M per annum until the desired minimum level is reached.

## Risk Management

33. All budget proposals incorporate a degree of risk. Whilst the Council has a good track record of delivering the required budget savings to date, the following are highlighted as key risks within the proposals:
- Ability to achieve more than £11m savings in 2012/13 and £38m over plan period. Within this amount, the key risk items are:
    - ability to deliver required savings in Adult Social Care, Health and Housing in the context of demographic changes and the impact from the transfer of Public Health;
    - ability to deliver required savings in Children's Services while there are ongoing changes to central government funding;
    - savings dependent on ability to renegotiate a number of contracts in Sustainable Communities; and
    - the number of savings initiatives within Corporate Services and the resulting impact on organisational change.
  - 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. Some require major organisational change programmes.
- 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.
- Increases in children and older people in care.
- Ability to deliver cross cutting savings.
- Reductions in Dedicated Schools Grant (DSG) and Local Authority Central Spend Equivalent Grant (LACSEG).
- Next Comprehensive Spending Review expected to be very challenging and current funding assumptions may be optimistic.
- Major national changes e.g. Localisation of NNDR, Council tax benefit, universal credit.
- Inflationary pressures greater than assumed
- Failure to agree transfer of services to town/parish councils and other third parties.

## **Consultation**

34. The Council has a legal requirement to consult with council tax payers and non domestic rate payers on its revenue budget and council tax. It has further statutory responsibilities to conduct Equality Impact Assessments on any budget proposals that with impact service users.

Beyond these statutory responsibilities the Executive agreed a Budget and Council Tax Consultation Policy at its meeting on 15 November 2011. This policy defined a comprehensive communication and engagement plan with our residents and stakeholders for both the draft budget and the capital programme.

More detail on the consultation process (which ran between 6 December 2011 and 27 January 2012) and feedback from residents, businesses and stakeholders is set out in Appendix A.

## **Overview and Scrutiny**

35. No substantive amendments were proposed during the December Overview and Scrutiny meetings at which the draft Budget was considered. The Social Care, Health and Housing Overview and Scrutiny Committee recommended that the following issues considered by them be brought to the Executive's attention:
- Draft Budget 2012/13 and Medium Term Financial Plan 2012-2016:
    - the need for a further report on "EA37 Direct Services" at a future Overview and Scrutiny Committee meeting to consider any future delivery model;
    - challenges in relation to the delivery of 100% personal budgets;
    - challenges in relation to "EA51 Commissioned services" and reducing the amount of funding in residential care placements; and
    - the importance of enhancing communication with residents who self fund their residential care so as those residents achieve value for money for the services they receive.
  - Capital Programme 2012/13 to 2015/16

The Committee discussed issues in relation to the asbestos management scheme contained in the Housing Revenue Account (HRA). It was proposed by a Councillor that schemes within the HRA should be amended to permit the earlier removal of asbestos. The Committee did not agree with this proposal but did request that a further technical report be provided to Overview and Scrutiny Committee Members in the future.

## **Capital programme**

36. The Capital Programme 2012 – 2015 is considered as a separate report on this agenda. However, by way of context, the key figures within the Capital Programme Report include:
- Planned gross expenditure of £79.9 million (excluding HRA);
  - £49.4 million of external funding;
  - HRA programme expenditure of £6.1 million.

## **Housing Revenue Account**

37. The Housing Revenue Account is considered as a separate report on this agenda.

## Fees and charges

38. For the majority of services there will be a 2% increase for 2011/12, though there are some instances where circumstances require a different approach, and these have been outlined in summary as follows:
- Bed and Breakfast accommodation charges have increased to ensure the rental cost can be fully recouped;
  - traveller site pitch fees are proposed to be increased in line with the average increase in tenants' rents;
  - no changes to parking fees are proposed as further consideration will be given to these charges with the development of the parking strategy;
  - significant increases to Rights of Way map charges to move towards full cost recovery;
  - changes to Libraries charges arising from the consultation process;
  - charges for Section 38 planning agreements are proposed to remain the same following significant increases in the two previous years;
  - rationalisation of Leighton Buzzard Theatre charges has led to increases at rates other than the standard. These charges have been benchmarked with similar venues; and
  - a number of charges in respect of corporate resource services remain unchanged for practical and statutory reasons.

In addition, there are various new charges. A full schedule of fees and charges 2012/13 for approval is shown in Appendix J.

## Timetable

39. The key milestones in the timetable for Council to agree its budget in February are set out in Table 9 below:

Table 9

<b>Date</b>	<b>Body</b>	<b>Outcome</b>
December	Overview & Scrutiny	Consideration of efficiencies and savings and draft budget proposals
January		Consultation with residents and stakeholders
14 February 2012	Executive	Recommends Final Budget
23 February 2012	Council	Approves Budget

**Appendices:**

Appendix A – Results of consultation with the public and stakeholders (including schools).

Appendix B – Current Petitions

Appendix C(i) – Medium Term Financial Plan 2012/13 to 2015/16 Four Year Summary

Appendix C(ii) – Medium Term Financial Plan 2012/13 to 2015/16 Annual Summaries

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

Appendix D(i) – 2012/13 budget, directorate summaries by service

Appendix D(ii) – 2012/13 budget, directorate summaries by expenditure

Appendix E – Robustness of estimates and adequacy of reserves

Appendix F – Grant income

Appendix G – Council Tax Base

Appendix H – Unavoidable Pressures

Appendix I(i) – Efficiencies / Service Reductions

Appendix I(ii) – Additional Savings Post Draft Budget

Appendix J – Supplementary Fees & Charges

Appendix K – Budget Proposals 2012/13 Equality Implications

**Background Papers:** (open to public inspection)

Budget Strategy - Executive, August 2011

Corporate Strategy – Executive, November 2011

Draft Budget – Executive, December 2011