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**Meeting:** Executive  
**Date:** 5 February 2013  
**Subject:** Budget 2013/14 and Medium Term Financial Plan 2013 to 2017  
**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 2013-14 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** No  
**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 2013/14 by 11 March 2013.

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 36 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.

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.

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 will be supported to undertake these assessments as appropriate 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 and will continue to review proposals with significant equality implications. The Equality Forum noted that in preparing the efficiencies consideration is being given to "squeezing the pips out of contracts". The Forum has commented that care will need to be taken to ensure that this doesn't impact adversely on the quality of service provision to vulnerable people.

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 January cycle of meetings. The Social Care, Health and Housing Overview & Scrutiny Committee meeting was postponed until 29 January, so it has not been possible to include feedback from that Committee in this report. Comments from the three Committees that have met are included at Appendix L. See also paragraph 38.

**RECOMMENDATIONS:**

- 1. That the Executive recommends Council to:**
  - (a) note the response to consultation with Overview and Scrutiny as set out in paragraph 38 and the response to consultation with the public and stakeholders as set out in Appendix A;**
  - (b) agree the Revenue Budget for 2013/14 and the Medium Term Financial Plan for 2013/14 to 2016/17;**
  - (c) note the adjustments to the draft Budget as described in paragraph 24 of this report;**
  - (d) note the Council Tax Base as set out in Appendix G;**
  - (e) note the allocation of £0.8m to Parish Councils as set out in paragraph 24;**
  - (f) agree a Band D Council Tax of £1,308.33 for residents of Central Bedfordshire;**
  - (g) agree the fees and charges set out in Appendix J; and**
  - (h) note that certain efficiency proposals identified in Appendix I will be subject to formal consultation and Equality Impact Assessment in the coming months and instructs the Corporate Management Team to propose alternative compensatory savings if it appears, following a review of the outcome of the consultation and Equality Impact Assessment, that any specific proposal cannot be delivered.**

<i>Reason for Recommendations:</i>	<i>To agree a balanced budget for 2013/14 and identify resource requirements for the Medium Term.</i>
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## **Executive Summary**

The Council approved the Medium Term Financial Plan (MTFP) for 2012/13 to 2015/16 in February 2012, which continued to reflect sustained funding reductions as a result of the ongoing economic situation. The MTFP has been updated and extended to 2016/17. A Budget for 2013/14 has been prepared reflecting further changes in funding, including a substantial overhaul of the Council Tax and National Non-Domestic Rates regimes. Cost pressures and efficiencies, including the impact of those commenced in 2012/13 have been revisited and incorporated into the proposals. There will be no increases in Council Tax and the commitment to harmonise rates in the North and South of Central Bedfordshire as at 1 April 2013 will be achieved.

## **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 2013/14 sets out the Council's finances for 2013/14 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. £16.1 million of efficiencies are identified for 2013/14 to produce a balanced budget. A further £29.1 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 for 2013/14 include:
  - planned gross expenditure of £80.2 million (excluding Housing Revenue Account (HRA));
  - £45.2 million of external funding (including capital receipts);
  - HRA programme expenditure of £10.9 million.
4. Fees and Charges have been set with a 2% uplift on the prior year in the majority of cases.
5. A pay award of 1% increase on the prior year has been included for 2013/14. The MTFP assumes further increases at 1% for the following years. All pay awards are subject to national negotiations.

## Background

6. The Medium Term Financial Plan (MTFP) has been updated against a background of significant challenges. In 2012 new legislation was introduced by the Coalition Government that presaged significant changes to both the distribution and level of Local Authority funding, including:
  - devolving responsibility for awarding Council Tax Benefit to local authorities, coupled with an estimated 10% reduction in Council Tax Benefit funding from Central Government;
  - technical changes to Council Tax with the abolition of two classes of statutory exemption;
  - overhauling the system for redistributing National Non-Domestic Rates (NNDR), involving allowing direct retention by Local Authorities of a portion of collected Rates and altering the Formula Grant distribution quantum and methodology;
  - rolling in previously distinct grants such as the Early Intervention Grant and the Learning Disabilities and Health Reform Grant into the Formula Grant mechanism; and
  - replacing the Local Authority Central Spend Equivalent Grant (LACSEG), which had been included within the Formula Grant with a new Education Services Grant.
7. The national and European economies remain in an uncertain state, with major concerns around the future of the euro currency and other European economies. The UK economy has been through a second bout of recession, but has returned some mild growth starting the second quarter of 2012/13. Some commentators are warning that this momentum in growth is unlikely to be sustained given the uncertainty over the economic outlook. Inflation has reduced from a peak of 5.2% (CPI) and 5.6% (RPI) in September 2011, to 2.7% (CPI) and 3.0% (RPI) in November 2012. Interest rates remain very low, with base rate fixed at 0.5%.
8. 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.
9. There are significant social and economic drivers of change within Central Bedfordshire across the medium term and beyond, particularly:
  - Demographic growth from 2012 - 2016, including a:
    - 5% increase in the population;
    - 16% increase in the over 75's population; and
    - 24% increase in the over 85's population
  - Increased demand for Looked After Children; mainly in the light of the Baby Peter case;
  - Schools moving to Academy status and out of local authority control;
  - 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.

## **Council priorities**

10. The Council approved the following revised priorities in June 2012:
- Enhancing Central Bedfordshire – creating jobs, managing growth, protecting our countryside and enabling businesses to grow.
  - Improved educational attainment.
  - Promoting health and wellbeing, and protecting the vulnerable.
  - Better infrastructure – improved roads, broadband reach and transport.
  - Great universal services – bins, leisure and libraries.
  - Value for money – freezing council tax.

## **Economic Outlook**

### 11. (a) Inflation

As explained already, the national and European economies remain in an uncertain state, with major concerns around the future of the euro currency and European economies with economic problems.

UK inflation has started to fall from a high of more than 5% in 2011 resulting in inflation of 3.0% (RPI) and 2.7% (CPI) in November. Interest rates remain very low, with base rate fixed at 0.5% since March 2009.

### (b) Quantitative Easing

The Bank of England announced a £50 billion extension to quantitative easing (QE) in July. The Monetary Policy Committee met in November and decided against a further round of QE.

### (c) Economic Growth and Unemployment

The Bank's Quarterly Inflation Report for August was a continuation of its previous bleak outlook for economic growth, noting that growth was likely to remain muted in the near term and that credit growth was weak. The unemployment rate for July - September 2012 was 7.8%, down 0.2% from April to June 2012. There were 2.51 million unemployed people, down 50,000 from April to June 2012.

## Budget Objectives

12. The principal objectives of the 2013/14 Budget have been:
- to produce a sustainable plan which allows Council priorities to be delivered;
  - realistic spending year on year not dependent on reserves;
  - maintain reserves 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
  - commitment to efficiency as a means of delivering savings.

## Medium Term Financial Plan

13. Formula Grant funding within the Medium Term Financial Plan reflects the latest figures as per the Finance Settlement announced on 19 December 2012 and is shown below at Table 1, which is extended to include 2016/17.

**Table 1**

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Formula Grant, including Retained Business Rates	66.6 <sup>1</sup>	60.7	58.8	57.3
Council Tax Freeze Grant 2010	3.2	3.2	-	-
Council Tax Freeze Grant 2011	-	-	-	-
Council Tax Freeze Grant 2012	1.3	1.3	-	-
<b>Total Funding</b>	<b>71.1</b>	<b>65.2</b>	<b>58.8</b>	<b>57.3</b>
Council Tax revenue	117.8	118.6	119.4	120.7
<b>Total Income</b>	<b>188.9</b>	<b>183.8</b>	<b>178.2</b>	<b>178.0</b>

Note 1: The amount shown for Formula Grant has changed significantly compared to the amount included within the Draft Budget report following the Settlement. The movement of £12.2 million is explained in paragraph 24.

14. The above table reflects the Chancellor's Autumn Statement on 5 December and the subsequent announcement of Local Government funding by DCLG. This announcement set out details of the funding for 2013/14 with indicative figures for 2014/15. Amounts for the final two years represent best estimates which will be updated following the next Comprehensive Spending Review (planned for Spring 2013). It is possible that there will be significant changes to these figures for later years.
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 are one-off Council Tax Freeze Grants for each of the years 2013/14 and 2014/15 which were announced in October 2012. There is no assumed increase in the Council tax rate during the MTFP period but the tax base is assumed to grow by 0.65% each year.

**Table 2**

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Total Income	(189.0)	(183.8)	(178.2)	(178.0)
Total Planned Spend	205.1	196.2	189.6	183.5
Efficiencies identified	(16.1)	(8.0)	(7.3)	(2.4)
Efficiencies to be identified	-	(4.4)	(4.1)	(3.1)
<b>Net Balance</b>	-	-	-	-

16. The above table includes the impact of the changes to the Council Tax Benefit regime including the Council Tax Support (CTS) Scheme approved by Executive in August 2012. Full details of the proposed CTS scheme were discussed at the Executive meeting on 8 January 2013 when the final scheme was recommended to Council.
17. In previous years local councils have received funding through the Formula Grant that is determined using a number of factors to establish local resourcing needs. This has been largely funded by a redistribution of NNDR (commonly known as Business Rates). From 2013/14 onwards this mechanism has been radically altered. Councils can now directly retain a portion of collected Business Rates with the remaining portion going back to central Government towards a national redistribution. The amount of Business Rates retained locally is subject to a complicated system of tariffs / top-ups and levies / safety nets (designed to protect Councils from severe funding shortfalls). Although the Government have confirmed that Councils will be able to retain up to 50% of any local growth over a given baseline, in practice the tariff / top-up system means that the Central Bedfordshire will receive just 37.5% of growth above a baseline of £74.2 million.
18. In a further complication to the funding arrangements, several grants have been 'rolled up', or in some areas disaggregated from, the Formula Grant. The Early Invention Grant (EIG), Learning Disabilities and Health Reform Grant and the Homelessness Prevention Grant (together worth nearly £20m in 2012/13) will now be included within the settlement and not separately identified, while the Education Services Grant (formerly LACSEG) has been disaggregated. The Formula Grant has been reduced by £5.4m to fund the Education Services Grant of which only £3m is expected to be returned to the Council, with the remainder being paid directly to Academies.
19. As part of the rolling-in of EIG an amount of £1.8m of the schools Dedicated Services Grant has been allocated to fund services for two-year olds.
20. 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 currently unquantifiable:

## a) Welfare Reform

The Welfare Reform Bill was introduced in Parliament in February 2011 and the Act received Royal Assent in March 2012. The Act 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. The current proposal is to include Housing Benefit but not Council Tax Benefit. The Act 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 Act 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.

A phased implementation is due to commence in October 2013. However, it is clear that this will have significant operational and resource implications for the Council but at this time these remain unquantifiable.

## b) Localism Act 2011

Aside from the Housing Revenue Account self-financing proposals, 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'; and
- 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 2013-14**

### Draft Budget

21. The Budget process for 2013/14 was a modified version of the process undertaken for 2012/13. Introduced for the first time was a system of “Head of Service Reviews” at an early stage during the process. These reviews involved each Head of Service presenting a budget overview which:
- provided an overview of the service;
  - split the budget into activities and explained the basis for the total budget for each activity;
  - identified pressures and efficiencies, both existing in the previous MTFP and new items;
  - outlined potential options for further savings; and
  - provided benchmarking information on performance and cost.

The baseline position for the budget reviews was the 2012/13 agreed budget.

22. A themed approach was taken to targeting areas for efficiencies as per paragraph 32. The total budget was then subject to further reviews to address the budget ‘gap’ by means of challenges to the identified pressures and seeking additional efficiency savings.

As a result the budget process was accelerated compared to the previous year allowing for more consideration of where savings should be made.

23. The high level budget position was presented to the Corporate Resources Overview and Scrutiny Committee in October 2012, to which all Members were invited. This presentation covered the changes in Government Funding, the budget process and the high level MTFP figures as they were available at that time.

### Amendments to draft budget

24. Since the draft budget was produced for the January 2013 Executive meeting, the Government have announced details of Local Government funding settlement for 2013-14. The level of funding now available is significantly worse than originally planned and has been complicated by various factors outlined further within this report.

Changes have therefore had to be made to budgets to address the funding shortfall and the opportunity was also taken to make presentational and other amendments arising from new information since preparation of the draft report. These changes are set out below (as well as summarised in Appendix C(iii)):

- a The Government has made a decision to ‘roll’ certain grants into the Formula Funding mechanism (see paragraph 18). £10.2m of Adult Social Care grant income and £9.7m of Children’s Services grant income has therefore now been shown as part of Council Funding whereas in previous years these were part of base budgets.

- b As a result of changes to the funding for two year olds described in paragraph 19, £1.8m of funding to be received via the Dedicated Schools Grant has been shown as Children's Services base budget rather than as part of Council Funding.
- c The Government has made a decision to disaggregate certain funding from the Formula Grant mechanism. An estimated £2.99m Education Services Grant income has therefore been shown as Children's Services base budget whereas in previous years the equivalent funding was shown as part of Council Funding (see paragraph 18).
- d A £2.2m reduction has been applied to the Formula Grant to agree with amounts advised in the funding settlement.
- e A further £0.8m reduction to incoming resources reflects a grant that will be distributed to parish councils on a proportionate basis subject to agreement by Council on 24 January 2012. The amount allocated to each parish will be calculated according to the amount of Council Tax Support awarded in each parish as a percentage of the total Council Tax Support awarded in Central Bedfordshire.
- f £0.9m has been added to Council Tax income as a result of updated taxbase calculations.
- g £0.3m of further New Homes Bonus income has been added to Corporate Costs following confirmation from Government.
- h Certain other minor adjustments have been made as detailed in Appendix C(iii), the net effect of which is negligible.

The net effect of all these changes to the draft budget has resulted in a budget shortfall of £1.8m. This gap has been addressed by eliminating the proposed £1.4m transfer to reserves and the use of £0.4m of brought forward reserves. Comments on this approach are detailed in Appendix E.

The effect of the changes to the Formula funding is shown in Table 3 below.

**Table 3 – Effect of changes since Draft Budget**

Item	Change to Formula Funding £'m	Change to Council Taxbase £'m	Change to base budget £'m	Net change to budget £'m
Grants rolling in (a, above)	19.9	-	(19.9)	-
Two-year old funding (b)	(1.8)	-	1.8	-
Grants disaggregated (c)	(2.9)	-	2.9	-
<b>Sub-total – income reallocations</b>	<b>15.2</b>	<b>-</b>	<b>(15.2)</b>	<b>-</b>
Formula Grant reduction (d)	(2.2)	-	-	(2.2)
Grant to Parishes (e)	(0.8)	-	-	(0.8)
Adjusted taxbase (f)	-	0.9	-	0.9
New Homes Bonus (g)	-	-	0.3	0.3
Eliminate additional contribution to reserves	-	-	1.4	1.4
Use of reserves			0.4	0.4
<b>Total</b>	<b>12.2</b>	<b>0.9</b>	<b>(13.1)</b>	<b>-</b>

**Capital Programme**

25. The full Capital Programme is considered as a separate report on the Agenda.

The adoption of the proposed Capital Programme will place additional pressure on the revenue budget due to additional borrowing and Minimum Revenue Provision (MRP) charges that are statutorily required. The assumption set out in the table below is an 80% delivery rate against the Capital Programme from 2013/14 across the entire medium term to 2016/17. The table shows the year on year increase in capital financing costs associated with the proposed Capital Programme.

**Table 4**

	Opening Base Budget £m	Movements			Closing Budget £m
		Interest Charges £m	MRP £m	Total change £m	
2013/14	12.60	(0.65)	0.46	(0.19)	12.41
2014/15	12.41	0.58	1.12	1.70	14.11
2015/16	14.13	0.91	0.71	1.62	15.73
2016/17	15.65	(0.30)	1.59	1.29	17.02

## **Contingency**

26. After making the adjustments outlined in paragraph 24 above, the contingency remains at £2 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. Holding a contingency within the approved budget provides in-year flexibility to respond to any unanticipated developments and is also important in mitigating the need to hold a higher level of General Fund reserves.

## **Assumptions**

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

### **Economic**

- For 2013/14 and all years of the MTFP, inflation of 1% on pay, 2% on supplies and services and 2% on income.
- Interest rates remain constant throughout the plan period, in line with forecasts from treasury advisers.

### **Financial**

- Reserves exceeding the previously identified minimum prudent level of £11.2m. The reserves position needs to reflect additional risks and uncertainties in the formula funding model.
- Zero increase in council tax over plan period.
- Fully harmonised council tax across all of Central Bedfordshire at the Band D equivalent rate of the former Mid Bedfordshire District area as at 1 April 2013 (see paragraph 28).
- Previously announced Council Tax Freeze Grants valued as follows:
  - 2.5% of Council Tax revenues for each of the four years from 2011/12 to 2014/15;
  - An additional 2.5% of Council Tax revenues in 2012/13 only; and
  - An additional 1% of Council Tax revenues in each of 2013/14 and 2014/15.

### **Operational**

- Demographic changes (see Economic drivers for change, paragraph 9 above).
- Implementation of the Your Space 2 (was the Medium Term Accommodation Plan) to optimise the use of administrative and operational buildings.
- Procurement savings through tendering and contract management in waste management, highways, care services, cross cutting services.
- A move to a Council focussed on outcomes.

### External

- Impact of introduction of Universal Credit (see paragraph 20 for detail) is excluded from the model.
- Impact of localisation of council tax benefit (see paragraph 16 for detail).
- Impact of localisation of NNDR (see paragraph 17 for detail).
- An assumed 5% reduction in Formula funding for each of 2015/16 and 2016/17. Amounts included for the last 3 years of the MTFP will be subject to change following the next Comprehensive Spending Review (scheduled for Spring 2013).

### Council Tax

28. There is no increase in the Central Bedfordshire Council element of Council Tax over the plan period, Table 5 below shows the Council Tax rates planned for each year.

**Table 5**

<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

29. Table 6 below summarises the latest position for the Council's finances in 2013/14 based upon the draft budget as per Appendix C.

**Table 6**

	<b>£m</b>
<b>Net Base Expenditure Budget 2012/13</b>	<b>179.2</b>
Net Inflation	2.6
Unavoidable Cost Pressures	8.1
Efficiencies	(16.1)
Reallocated income <sup>2</sup>	15.2
<b>Net Expenditure 2013/14</b>	<b>189.0</b>
Funding	189.0
<b>Budget Requirement</b>	<b>-</b>

Note 2: This amount reflects the funding changes as per table 3 and as described in paragraph 24 above.

30. Cost pressures are identified at Appendix H. The most significant items are listed below:
- increased demand for care services from an ageing population £1.8m;
  - increased demand for adult disability services £1.3m;
  - increased numbers of child protection referrals £1m;
  - increased numbers of children looked after £1.2m;
  - additional Pension Contribution following Actuarial Review £1.6m;
  - various pressures as a result of increased infrastructure and housing associated with growing population; and
  - debt financing (cost of borrowing to fund the capital programme) becomes significant in the later years of the MTFP.
31. All of the £16.1m efficiencies have been identified and are shown at Appendices I(i) and I(ii). A summary of these is shown below at Tables 6 and 7.
32. Certain consistent efficiency themes which impact across Directorates within the Council were used in the budget preparation and Heads of Service reviews. These were:

- A – Moving from institutional investment to personal solutions
- B – Early Intervention and enabling independence<sup>3</sup>
- C – Squeezing the pips out of contracts
- D – Income generation - new sources and methods
- E – Self service through digital channels; and
- F – Rationalisation.

Note 3: This theme will be developed further in future budget preparations.

The themes encapsulate the Council’s approach to delivering financial efficiencies whilst maintaining the outcomes from services delivered. Table 7 below groups the efficiencies by these themes.

**Table 7**

<b>Ref</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
A	2.8	2.5	2.5	1.0	8.8
B	-	-	-	-	-
C	5.6	2.8	2.8	1.0	12.2
D	0.6	0.5	0.5	0.1	1.7
E	0.6	0.2	0.1	-	0.9
F	6.5	2.0	1.4	0.3	10.2
<b>Total</b>	<b>16.1</b>	<b>8.0</b>	<b>7.3</b>	<b>2.4</b>	<b>33.8</b>

**Table 8 – Efficiencies by Directorate**

<b>Efficiencies</b>	<b>2013/14 Savings £m</b>
Directorates:	
Social Care Health & Housing	4.8
Children's Services	1.7
Sustainable Communities	4.2
Corporate Resources	2.7
Corporate Costs	2.7
<b>Total</b>	<b>16.1</b>

33. Table 9 sets out the Medium Term Financial Plan across all financial years to 2016/17 that incorporates all the funding and spend assumptions included in this report.

### Summary

**Table 9**

<b>Medium Term Financial Plan</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
<b>Resources</b>				
Formula Grant and Retained Business Rates	69.79	63.84	58.83	57.34
Council Tax	117.86	118.63	119.41	120.69
Council Tax Freeze Grant 2012	1.31	1.31	-	-
<b>Total Resources</b>	<b>188.96</b>	<b>183.78</b>	<b>178.24</b>	<b>178.03</b>
<b>Planned Revenue Budget</b>				
Opening Base Revenue	374.57	370.71	366.88	362.43
Expenditure				
Reallocated income	15.21	-	-	-
Cost Inflation	4.05	4.14	3.78	3.69
Pressures	8.16	4.47	3.17	2.68
Base Income	(195.62)	(181.75)	(183.10)	(184.19)
Income Inflation	(1.34)	(1.35)	(1.09)	(1.11)
<b>Total Planned Spend Before Savings</b>	<b>205.03</b>	<b>196.22</b>	<b>189.64</b>	<b>183.50</b>
Efficiency Savings	(16.07)	(8.00)	(7.31)	(2.37)
Efficiency Savings to be allocated	-	(4.44)	(4.09)	(3.10)
<b>Total Planned Spend After Savings</b>	<b>188.96</b>	<b>183.78</b>	<b>178.24</b>	<b>178.03</b>

## Reserves

34. One of the key objectives of the Budget carried forward from 2012/13 is to increase General Fund reserves to a risk assessed prudent minimum level. The outturn position for 2011/12 and the anticipated outturn for 2012/13 indicate that the previously identified minimum prudent level will be achieved at the start of 2013/14. However, very significant changes are being made to the basis of funding and this has added levels of complexity and uncertainty. In light of this it is prudent to aim to hold a higher level of reserves, at least until clarity is obtained. The draft budget also includes a contingency element of £2m. This is to reflect the significant uncertainties over future funding already described within this report. There is also the recognition of significant risks within the budget, against which sufficient reserves must be held to be prudent.
35. Appendix E describes the approach to reserves in more detail. As noted above the policy has been to retain only those reserves which are necessary to mitigate possible risks and allow the Council to perform its duties. Where reserves are no longer necessary they have been released to meet budget commitments and reduce the demand on incoming resources. The assessment of the appropriate level of reserves will be kept under review during the course of the MTFP period.

Table 10 below shows the reserves by year.

**Table 10**

£M	2012/13	2013/14	2014/15	2015/16	2016/17
Opening Balance	10.9	12.3	11.9	11.9	11.9
Planned Contribution / (use)	1.4	(0.4)	0.0	0.0	0.0
Closing Reserves	12.3	11.9	11.9	11.9	11.9

The General Fund balances shown in the above table set out the planned General Fund levels at the end of each financial year. There is a planned call on reserves of £0.4m as a result of changes following the Funding announcement for 2013/14.

## Risk Management

36. 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:
- 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, including those which cut across more than one directorate will need to be effectively managed to ensure they are realised in practice. Some require major organisational change programmes.
- Increases in children and older people in care.
- Ability to achieve £16m savings in 2013/14 and £34m over plan period. This needs to be seen in the context of £40 million of efficiency savings already delivered in previous years.
- Reductions in Dedicated Schools Grant (DSG), Education Services Grant (formerly Local Authority Central Spend Equivalent Grant (LACSEG)), Early Intervention Grant and changes to High Needs Block.
- Next Comprehensive Spending Review expected in spring 2013 is predicted to be very challenging and current funding assumptions may be optimistic.
- Impact of Localisation of Council Tax Support (including ability to collect) and performance on Retained Business Rates.
- Impact of Universal Credit.
- Inflationary pressures greater than assumed.
- Impact of transfer of public health.
- Changes to the Pensions regime including the potential impact of Auto-Enrolment and the actuarial review due in 2013.

## **Consultation**

37. The Council has a responsibility to consult with residents and charge payers on its budget.

Last year, in preparation for the production of the Council's four year Medium Term Financial Strategy, Central Bedfordshire Council embarked on a comprehensive campaign to engage local people in determining this strategy.

The campaign comprised three phases of activity. Firstly, market research was conducted through a survey to all households and to a representative sample of residents. This was reported to Members as the budget proposals were developed. Subsequently a consultation was conducted on the proposals and finally, once the budget strategy had been confirmed, feedback on the Council's decisions was communicated to residents and stakeholders.

Given the scope of engagement that influenced the Council's four year financial strategy and the lateness of the Local Government settlement, the priority for 2013/14 has been to ensure that residents, businesses and stakeholder organisations are consulted on the specific proposals for next year's budget.

This consultation commenced as the draft budget (considered by Executive on 8 January 2013) was published on 20 December. All communication channels will be used to raise awareness of the proposed budget and feedback will be invited on line and through more conventional written responses. Bespoke briefings for advocacy groups and representative organisations will also be delivered.

Feedback has been summarised and included in Appendix A. Following the conclusion of the budget process for 2013/14, communication about the final decisions and implications for residents will take place through a mixture of social media, conventional media relations and a household leaflet that will be delivered with the Council Tax notices in the spring.

## **Overview and Scrutiny**

38. Three Overview and Scrutiny Committees had met by the time of writing this report. Due to adverse weather the Social Care, Health and Housing Overview and Scrutiny Committee meeting was postponed until 29 January. Comments from this Committee will be provided at the Executive meeting. Detailed comments from the three Overview and Scrutiny Committees that did meet are set out in Appendix L.

All three Committees recommended that that Draft Budget, MTFP and Capital Programme be endorsed as set out.

The changes to the Draft Budget occasioned by the announcement of the Finance Settlement do not impact on individual directorates and the changes to reserves were considered by the Corporate Resources Overview and Scrutiny Committee.

## **Public Health**

39. The Government have confirmed a ring-fenced grant of £9.9 million in 2013/14 and £10.1 million in 2014/15 in respect of the transfer of Public Health which takes place on 1 April 2013. Expenditure will be fully funded by this grant with no net impact for the Council. Refer to Appendix K for more details.

## **Housing Revenue Account**

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

## **Fees and charges**

41. 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. These have been summarised in Appendix J(i).

In addition, there are various new charges. A full schedule of fees and charges 2013/14 for approval is shown in Appendix J(ii).

## Timetable

42. The key milestones in the timetable for Council to agree its budget in February are set out in Table 11 below:

**Table 11**

<b>Date</b>	<b>Body</b>	<b>Outcome</b>
January	Overview & Scrutiny	Consideration of efficiencies and savings and draft budget proposals
January		Consultation with residents and stakeholders
5 February 2013	Executive	Recommends Final Budget
21 February 2013	Council	Approves Budget

### **Appendices:**

Appendix A – Results of consultation with the public and stakeholders

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 – Pressures

Appendix I(i) – Efficiencies by Theme

Appendix I(ii) – Efficiencies by Directorate

Appendix J(i) – Changes to Fees and Charges other than 2%

Appendix J(ii) – Fees & Charges

Appendix K – Public Health

Appendix L - Overview and Scrutiny Committee comments

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

Budget Strategy - Executive, August 2012

Corporate Strategy – Executive, November 2012

Draft Budget – Executive, January 2013