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**Meeting:** Executive

**Date:** 4 February 2014

**Subject:** Budget 2014/15 and Medium Term Financial Plan 2014 to 2018

**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 2014-15 with indicative figures for future years.

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**Advising Officer:** Charles Warboys, Chief Finance Officer and Section 151 Officer

**Contact Officer:** Charles Warboys, Chief Finance Officer and Section 151 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:**

1. The financial implications of the Budget and Medium Term Financial Plan are set out in the report.

### **Legal:**

2. The Local Government Finance Act 1992 stipulates that the Council must set an amount of council tax payable for the financial year 2014/15 by 11 March 2014.

3. 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.
4. Additionally, the Council must undertake consultation with those who may be directly affected by the implementation of proposed budget, including staff and service users.
5. 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.
6. The efficiency proposals may also require further service user consultation, as more detailed development work is undertaken.
7. 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:**

8. 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 70 below.

**Staffing (including Trades Unions):**

9. Staffing implications are set out in the report and appendices.

**Equalities/Human Rights:**

10. 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.
11. 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.
12. 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.

13. As part of the budget setting process the Communications and Insight 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.

14. Copies of Equality Impact Assessments can be provided on request.

**Public Health:**

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

**Community Safety:**

16. 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:**

17. 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.

**Procurement:**

18. Effective procurement is a key part of overall savings identification. Table 7 below categorises savings including the total amount to be saved through improved procurement practices.

**Overview and Scrutiny:**

19. The draft Budget Report and draft Fees and Charges schedule were considered by the Overview and Scrutiny Committees in the January cycle of meetings. Comments from these meetings are included at Appendix K. See also paragraph 72.

**RECOMMENDATIONS:**

**The Executive is asked to recommend Council to:**

- 1. note the response to consultation with Overview & Scrutiny as set out in Appendix K and the response to consultation with the public and stakeholders as set out in Appendix A;**
- 2. agree the Revenue Budget for 2014/15 and the Medium Term Financial Plan for 2014/15 to 2017/18;**

3. note that there are no adjustments to the draft Budget as described in paragraph 52 of this report;
4. note the Council Tax Base as set out in Appendix G;
5. agree a Band D Council Tax (CBC element) of £1,308.33 for residents of Central Bedfordshire, representing a 0% increase on the charge for 2013/14;
6. agree the fees and charges set out in Appendix J; and
7. note that certain efficiency proposals identified in Appendix I will be subject to formal consultation and Equality Impact Assessment in the coming months and instruct 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.

*Reason for Recommendations:* To agree a balanced budget for 2014/15 and identify resource requirements for the Medium Term.

### **Executive Summary**

The Council approved the Medium Term Financial Plan (MTFP) for 2013/14 to 2016/17 in February 2013. The MTFP has been updated and extended to 2017/18 and a Budget for 2014/15 has been prepared. The Budget reflects further changes in funding, including the results of the Spending Review 2013 (see paragraph 39 below), and new cost pressures and efficiencies, including building on those realised in 2013/14. There will be no increases in the CBC element of Council Tax.

### **INTRODUCTION**

20. 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 also provide for a prudent level of reserves for contingencies.
21. The Budget for 2014/15 sets out the Council's finances for 2014/15 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. £17.4 million of efficiencies are identified for 2014/15 to produce a balanced budget. A further £25.6 million of efficiencies are required over the subsequent three years to achieve the proposed MTFP.

22. The Capital Programme is not included within this budget report as it is subject to a separate report to Executive on this agenda. However, by way of context, the key figures within the Capital Programme Report for 2014/15 include:

- Planned gross expenditure of £90m (Excluding Housing Revenue Account)
- External Funding of £44m (including capital receipts).

The revenue implications of the capital programme as set out in that report are reflected here.

23. The Housing Revenue Account (Landlord Services) Business Plan is not included within this budget report as it is subject to a separate report to the Executive on this agenda.

24. Fees and Charges have been set with an uplift of 2% on the prior year in the majority of cases. These are set out in full in Appendix J(ii), with a separate list of changes other than 2% in Appendix J(i).

25. An assumed pay award of 1% increase on the prior year has been included for 2014/15. The MTFP assumes further increases at 1% for the following years. All pay awards are subject to national negotiations.

## **BACKGROUND**

26. The Medium Term Financial Plan (MTFP) has been updated against a background of significant challenges. In June 2013 the Government announced the results of a new one year Spending Review covering the 2015/16 fiscal year only. This outlined further reductions to local government funding on top of those already made in previous announcements, including a 20% reduction in the Education Services Grant. Paragraph 39 provides more details.

27. In addition to this, Central Bedfordshire, like all local authorities, is still dealing with the effects of national changes to the Welfare system introduced last year, which included:

- Replacement of Council Tax Benefit with a Local Council Tax Support scheme and then devolving responsibility for awarding Local Council Tax Support to local authorities. This was coupled with a 10% reduction in funding from Central Government for this activity;
- Technical changes to Council Tax with the abolition of two classes of statutory exemption; and
- 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.

28. The national and European economies remain in an uncertain state, although the UK is beginning to show signs of growth. Inflation has remained relatively stable over the last year with rates of 2.5 – 2.7% (CPI) and 2.9 – 3.3% (RPI), although in October this dropped to 1.9% and 2.6% respectively. Interest rates remain very low, with base rate fixed at 0.5% for the last 56 months.

29. 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.
30. There are significant social and economic drivers of change within Central Bedfordshire across the medium term and beyond, particularly:
- Demographic growth from 2013 - 2018, including:
    - an 8% increase in the total population;
    - an 11% increase in the over 75's population;
    - a 16% increase in the over 80's population; and
    - a 20% increase in the over 85's population
  - Continuing increased demand for Looked After Children, with additional focus as a result of several high profile child protection cases nationally in the last year;
  - Schools moving to Academy status and out of local authority control;
  - Welfare Reform and the transfer of Council Tax Support to local authorities. The impacts of this are not yet fully apparent but they are increasing demands on the Revenues and Benefits team through additional workload and increasing the non collection rate for council tax.
31. 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**

32. The Council's priorities are:

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**

### 33. (a) Inflation

As explained already, the national and European economies remain in an uncertain state, with major concerns around European economies with significant structural problems.

Inflation has remained relatively stable over the last year with rates of 2.4 – 2.9% (CPI) and 2.9 – 3.3% (RPI), although in November this dropped to 2.1% and 2.6% respectively. Interest rates remain very low, with base rate fixed at 0.5%.

### 34. (b) Quantitative Easing

The Bank of England decided to maintain the quantitative easing (QE) programme at £375bn at the meeting of the Monetary Policy Committee in November 2013.

### 35. (c) Economic Growth and Unemployment

The Bank's Quarterly Inflation Report for November 2013 was a little more optimistic than previous forecasts, stating that recovery has finally taken hold. However it also noted that significant "headwinds", both home and abroad remained and that there was a long way to go before the aftermath of the financial crisis has cleared.

The UK unemployment rate for July - September 2013 was 7.6%, down 0.2% from April to June 2013. There were 2.47 million unemployed people, down 48,000 from April to June 2013.

## **Budget Objectives**

### 36. The principal objectives of the 2014/15 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 maintained at, or above, an agreed minimum prudent 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**

### 37. Formula Grant funding within the revised MTFP over the three years 2014/15 – 2016/17 reflects the amounts presented in the MTFP to Council in February 2013 as modified by the changes to funding principles noted above and the Local Government Finance Settlement 2014/15. It is shown below at Table 1, which is extended to include 2017/18, and also includes the current year for comparison.

**Table 1**

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Formula Grant	43.0*	36.9	28.4	27.4	27.4
Retained Business Rates	28.1	28.1	29.4	30.2	32.3
Freeze Grant 2013	-	1.3	1.3	1.3	1.3
Freeze Grant 2014	-	-	1.3	1.3	1.3
<b>Total Funding</b>	<b>71.1</b>	<b>66.3</b>	<b>60.4</b>	<b>60.2</b>	<b>62.3</b>
Council Tax revenue	117.8	119.6	119.9	120.7	121.4
<b>Total Income</b>	<b>188.9</b>	<b>185.9</b>	<b>180.3</b>	<b>180.9</b>	<b>183.7</b>

\*As adjusted for 2010 and 2012 rolled-in Freeze Grants for comparison.

38. The 2014/15 amounts are based on Chancellor's Autumn Statement on 5 December and the subsequent announcement of Local Government funding by Department for Communities and Local Government (DCLG). This announcement set out details of the funding for 2014/15 with 'indicative' figures for 2015/16. Amounts for the final two years are estimates based on latest available information, and are highly dependent on the outcome of the General Election in 2015. It is likely therefore that there will be significant changes to the later years of the MTFP.

39. Spending Review 2013:

Central Government carried out a Spending Review during 2013 and announced the results on 26 June 2013. This has had some significant impacts on our budget assumptions, not all of which can be fully determined until Central Government provide more details on outline plans or consultations have been completed. The key issues are described below.

- i. The Spending Review unusually covers only one year – 2015/16, in recognition that a General Election will be held in May 2015. This means that there will be significant uncertainty for the last two years of the MTFP.
- ii. The "Departmental Expenditure Limit" (DEL) for DCLG has been cut by 10% for 2015/16. This has been reflected in the indicative Settlement described above and is a substantial reduction compared to 2014/15.
- iii. There will be a change to the way the Council Tax movement year-on-year is calculated for the purposes of determining whether a referendum is required. Previously councils were able to eliminate the effects of levies (For CBC these relate to Drainage and Flood Defence) payable on their budgets for each year. This recognised that these payments were uncontrollable and a large increase from one year to the next could mean an unavoidable increase in Council Tax if other budgets are to remain unaffected. This adjustment has now been removed for 2014/15 onwards. Although levies for CBC are at present too small to affect the 2% referendum cap, being around £500,000 in total, these amounts will have to be closely monitored.

- iv. Funding for the Education Services Grant will be cut by 20% from 2015/16. This grant replaced the Local Authority Central Spend Equivalent Grant (LACSEG) in 2013/14, at the same time reducing income for CBC from £5.8m to £3.0m in that year. The grant is a per-pupil amount paid for maintained schools only, and reduces as schools convert to academies. Present forecasts suggest that these conversions will cost CBC around £300,000 in 2013/14. Assuming a similar rate in 2014/15 and factoring in the 20% cut could mean that just £1.9m will be received in 2015/16 – representing a cut of 67% in three years. The balance will continue to reduce if schools continue to convert to academies.
- v. The announcement included a 1% cap on public sector pay rises. This is in line with present MTFP assumptions.
- vi. Both of the existing Council Tax Freeze Grants will be extended through to 2015/16 for those Councils who have not raised Council Tax since 2011/12. These grants represented 2.5% of Council Tax income (worth £3.2m) and 1% of Council Tax income (worth £1.3m) respectively. A further two-year Council Tax Freeze Grant at 1% of Council Tax revenues will also be available for those Councils freezing Council Tax in 2014/15, and an additional 1% in 2016/17 for those freezing Council Tax in 2015/16.

Subsequent to the Spending Review announcement, central Government confirmed that both of the existing Freeze Grants and any new Grants in 2014/15 and 2015/16 will be 'baselined' into the Formula Grant and will therefore constitute continuing funding.

- vii. Approximately 35% of the New Homes Bonus was to be topsliced and pooled with Local Enterprise Partnerships. However, this plan was dispensed with in the Autumn Statement.
  - viii. There were also various other announcements covering health and social care pooled budgets, the transfer of the Independent Living Fund to Local Authorities, investment in the roads network, extension of the Troubled Families programme and introduction of a new Schools Formula from 2015/16. The potential impact of these has been assessed as far as possible within this MTFP.
- 40. In addition to the Spending Review 2013 above, the Budget announcement by the Chancellor of the Exchequer in March included a 1% cut to the 2014/15 Departmental Expenditure Limit for DCLG. This has been reflected in the Settlement numbers given in the table above.
  - 41. There is no assumed increase in the CBC element of the Council Tax rate during the MTFP period, but the taxbase is assumed to grow by 0.65% each year.
  - 42. The key elements of the draft MTFP for 2014/15 to 2017/18 are shown at Appendix C(i). Table 2 below shows a summary of this plan.

**Table 2**

	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>
Total Income	(185.9)	(180.3)	(180.9)	(183.7)
Total Planned Spend	203.3	193.3	188.3	188.7
Efficiencies identified	(17.4)	(7.4)	(4.5)	(0.6)
Efficiencies to be identified	-	(5.8)	(2.9)	(4.4)
<b>Net Balance</b>	-	-	-	-

43. The Business Rates Retention scheme introduced in 2013/14 continues to bed down. Current forecasts for this suggest that Central Bedfordshire will exceed the “Baseline Funding Level” set by Government for the year and hence be able to retain a small element of growth. However, given the uncertain nature of this income including potential appeals and bad debts no growth of Business Rates income has been forecast for 2014/15. For the remaining three years an element of growth has been added based on modelling work of future developments.
44. There are a number of significant changes to welfare payments as a result of the Welfare Reform Act 2012 that are impacting upon the Council’s finances in the medium term but are currently not fully quantifiable. The Act 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. It follows the November 2010 White Paper, ‘Universal Credit: Welfare That Works’ that sets out the Government’s proposals for reforming welfare to improve work incentives, simplify the benefits system and tackle administrative complexity.
45. 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 (the “spare room subsidy”);
  - 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 has commenced.
46. A Welfare Reform Working Group has been established within the Council which is closely monitoring the impacts on various groups of residents and this work will inform any future changes to the Local Council Tax Support scheme.

47. However, whilst it is clear that this will have significant operational and resource implications for the Council, until there is at least 12 months experience of these changes, and especially a winter period, it will not be possible to quantify the financial impact on the Council or its residents. For 2014/15 Executive has recommended to Council to maintain the existing local Council Tax Support Scheme. Council is expected to confirm this decision on 30 January.

## **Budget 2013-14**

### Draft Budget

48. The Budget process for 2014/15 continued on the same basis as the prior year with a system of “Head of Service Reviews” at an early stage. 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 2013/14 agreed budget.

49. A themed approach was taken to targeting areas for efficiencies as per paragraph 63. 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. This approach allowed for more consideration of where savings should be made.
50. The high level budget position was presented to the Corporate Resources Overview and Scrutiny Committee in October, 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 then stood.
51. The draft budget also includes the extension of the current European Social Fund programme by up to £6m for the delivery of additional activity across Central Bedfordshire and Bedford Borough as approved by the Executive at its meeting of 10 December 2013. This activity is fully grant funded.

### Changes since Draft Budget

52. There have been no changes since Draft Budget.

### Contingency

53. After making the adjustments outlined in paragraph 52 above, the contingency within the budget remains at £2.1 million.

54. 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. It must also be assessed alongside the level of General Fund reserves.

### Capital Programme

55. The full Capital Programme is considered elsewhere on the Agenda.
56. 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 2014/15 across the entire medium term to 2017/18. The table shows the year on year increase in capital financing costs associated with the proposed capital programme.

**Table 3**

	Opening Base Budget £m	Movements			Closing Budget £m
		Interest Charges £m	MRP £m	Total change £m	
2014/15	11.6	0.4	0.5	0.9	12.5
2015/16	12.5	1.0	0.5	1.5	14.0
2016/17	14.0	1.3	0.4	1.7	15.7
2017/18	15.7	1.0	0.4	1.4	17.1

### Assumptions

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

#### Economic

- For 2014/15 inflation of 1% on pay, other inflation provided on a case by case basis;
- For the remaining years of the MTFP inflation of 1% on pay, and 2% on non-pay; and
- Interest rates remain constant throughout the plan period, in line with forecasts from treasury advisers.

## Financial

- Reserves remaining at 2013/14 levels and 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; and
- Council Tax Freeze Grants valued as follows:
  - 2.5% of Council Tax revenues from 2011/12 and 1% of Council Tax revenues from 2013/14, both of which have been included within the Formula Grant 'baseline' and are therefore continuing sources of funding. An additional 1% of Council Tax revenues each year from 2014/15.
  - A further additional 1% of Council Tax revenues each year from 2015/16.

## Operational

- Demographic changes (see economic drivers for change, paragraph 30 above);
- Implementation of the Your Space 2 (the Medium Term Accommodation Plan) to optimise the use of administrative and operational buildings;
- Procurement savings through tendering and contract management; and
- A move to a Council focussed on outcomes.

## External

- Impact of introduction of Universal Credit (see paragraph 44 for detail); and
- Impact of the Spending Review 2013 as set out in paragraph 39 above.

## Council Tax

58. There is no increase in the CBC element of Council Tax over the plan period with the Band D rate being held at £1,308.33.

## Expenditure Budget

59. Table 4 below summarises the latest position for the Council's finances in 2014/15 based upon the budget as per Appendix C.

**Table 4**

	<b>£m</b>
<b>Net Base Expenditure Budget 2013/14</b>	<b>188.9</b>
Net Inflation	2.6
Unavoidable Cost Pressures	11.8
Efficiencies	(17.4)
<b>Net Expenditure 2014/15</b>	<b>185.9</b>
Funding	185.9
<b>Budget Requirement</b>	<b>-</b>

60. The net expenditure above is broken down by directorate in Table 5 below:

**Table 5 – Net Expenditure by Directorate**

<b>Directorate</b>	<b>2014/15 £m</b>
Social Care Health & Housing	62.9
Children's Services	44.7
Community Services	34.4
Regeneration and Business Support	7.4
Public Health	(0.6)
Improvement and Corporate Services	21.5
Corporate Resources	5.0
Corporate Costs	10.6
<b>Total</b>	<b>185.9</b>

61. Cost pressures are identified at Appendix H. The most significant items are listed below.

- Increased demand for care services from an ageing population £1.5m;
- Increased demand for adult disability services £1.4m;
- Increased numbers of child protection referrals £3m;
- Increased numbers of children looked after £1.2m;
- Loss of Education Services Grant due to academy conversions £0.4m;
- Additional debt financing costs (borrowing to fund the capital programme) £1m;
- Additional Pension Contribution £0.6m; and
- Various pressures as a result of increased demand for services and housing associated with growing population.

Table 6 below details costs pressures for 2014/15 by directorate

**Table 6 – Pressures by Directorate**

<b>Directorate</b>	<b>2014/15 £m</b>
Social Care Health & Housing	3.0
Children's Services	7.8
Community Services	0.7
Regeneration and Business Support	-
Public Health	-
Improvement and Corporate Services	0.5
Corporate Resources	0.1
Corporate Costs	(0.3)
<b>Total</b>	<b>11.8</b>

62. All of the £17.4m efficiencies have been identified and are shown at Appendices I(i) and I(ii). A summary of these is shown below at Tables 7 and 8.

63. 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;
- C – Review of contract and tendering arrangements;
- D – Income generation - new sources and methods;
- E – Self service through digital channels; and
- F – Rationalisation.

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>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
A	3.1	2.8	1.0	-	6.9
B	0.7	-	-	-	0.7
C	4.2	2.6	2.8	0.5	10.1
D	3.0	0.4	0.4	0.1	3.9
E	0.2	0.1	-	-	0.3
F	6.2	1.5	0.3	-	8.0
<b>Total</b>	<b>17.4</b>	<b>7.4</b>	<b>4.5</b>	<b>0.6</b>	<b>29.9</b>

**Table 8 – Efficiencies by Directorate**

<b>Directorate</b>	<b>2014/15 Savings £m</b>
Social Care Health & Housing	6.8
Children’s Services	2.6
Community Services	2.8
Regeneration and Business Support	0.9
Public Health	0.6
Improvement and Corporate Services	3.2
Corporate Resources	0.3
Corporate Costs	0.2
<b>Total</b>	<b>17.4</b>

## Summary

64. Table 9 sets out the Medium Term Financial Plan across all financial years to 2017/18 and incorporates all the funding and spend assumptions included in this report.

**Table 9**

<b>Medium Term Financial Plan</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Resources</b>				
Formula Grant	36.9	28.4	27.4	27.4
Council Tax Freeze Grants	1.3	2.6	2.6	2.6
Retained Business Rates	28.1	29.4	30.2	32.3
Council Tax	119.6	119.9	120.7	121.4
<b>Total Resources</b>	<b>185.9</b>	<b>180.3</b>	<b>180.9</b>	<b>183.7</b>
<b>Planned Revenue Budget</b>				
Opening Base Revenue	370.7	367.7	362.1	362.7
Expenditure				
Net inflation	2.6	2.7	2.7	2.7
Pressures	11.8	4.9	5.3	5.1
Base Income	(181.8)	(181.8)	(181.8)	(181.8)
<b>Total Planned Spend Before Savings</b>	<b>203.3</b>	<b>193.5</b>	<b>188.3</b>	<b>188.7</b>
Efficiency Savings	(17.4)	(7.4)	(4.5)	(0.6)
Efficiency Savings to be allocated	-	(5.8)	(2.9)	(4.4)
<b>Total Planned Spend After Savings</b>	<b>185.9</b>	<b>180.3</b>	<b>180.9</b>	<b>183.7</b>

## Reserves

65. One of the key continuing budget objectives is to maintain General Fund reserves to at least a risk assessed prudent minimum level. The outturn position for 2012/13 and the anticipated outturn for 2013/14 indicate that the previously identified minimum prudent level has been achieved. Reserve levels need to take account of the Government's continued reductions in funding levels and significant future pressures across all forms of social service.
66. The reserves policy has been updated to ensure it accounts for these risk factors and is set out in Appendix E. The budget also includes a contingency element of £2.1m. 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.
67. The assessment of the appropriate level of reserves will be kept under review. Where reserves are no longer necessary they are released to meet budget commitments and reduce the demand on incoming resources. Table 10 below shows the reserves by year.

**Table 10**

<b>£M</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Opening Balance	14.2	13.8	13.8	13.8	13.8
Planned Release	(0.4)	0.0	0.0	0.0	0.0
Closing Reserves	13.8	13.8	13.8	13.8	13.8

68. The General Fund balances shown in the above table set out the planned General Fund levels at the end of each financial year. The 2013/14 General Fund opening balance was £14.2m with a subsequent planned one-off release £0.4m in 2013/14 to meet budget requirements.
69. There is a current plan to use £1.2m of reserves in 2014/15 and 2015/16 to fund a one off investment in changing service provision. It is anticipated that this can be funded from 2013/14 revenue budget without the need for recourse to existing General Fund reserves.

### **Risk Management**

70. 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 £17m savings in 2014/15, including £1m procurement-led, and £43m over plan period.
  - Reductions in Dedicated Schools Grant (DSG) and Education Services Grant (including reductions due to academy conversions).
  - Confirmation of full effects of the Spending Review 2013.
  - 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.
- Changes to interest rates.

## **Consultation**

71. The Council has a responsibility to consult with residents and businesses on its budget.

Following the 2011 elections, the Council embarked on a comprehensive consultation and engagement campaign with local people. This comprised three phases of activity including market research through a survey to all households and to a representative sample of residents, a subsequent consultation on the proposed budget and finally, proactive communication of the Council's decisions 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, it is proposed that the priority for 2014/15 will be 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 (to be considered by Executive in January 2014) was published on 3 January 2014. 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 2014/15, 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**

72. Detailed comments from the Overview & Scrutiny (O&S) Committee meetings are set out in Appendix K. At the time of writing this report the O&S Committees had not met. Appendix K will therefore be tabled at the Executive meeting on 4 February.

## **Housing Revenue Account**

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

## Fees and Charges

74. For the majority of services there will be a 2% increase for 2014/15, 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 for 2014/15 for approval is shown in Appendix J(ii).

## Timetable

75. The key milestones in the timetable for Council to agree its budget in February 2014 are set out in Table 11 below:

**Table 11**

<b>Date</b>	<b>Body</b>	<b>Outcome</b>
From 2 January 2014	Public	Consultation with residents and stakeholders
January 2014	Overview & Scrutiny	Consideration of efficiencies and savings and draft budget proposals
4 February 2014	Executive	Recommends Final Budget
20 February 2014	Council	Approves Budget

## Appendices:

- Appendix A – Results of consultation with the public and stakeholders – **verbal update will be provided at the meeting**
- Appendix B – Current Petitions
- Appendix C(i) – Medium Term Financial Plan 2014/15 to 2017/18 Four Year Summary
- Appendix C(ii) – Medium Term Financial Plan 2014/15 to 2017/18 Annual Summaries
- Appendix D(i) – 2013/14 budget, directorate summaries by service
- Appendix D(ii) – 2013/14 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 – Overview and Scrutiny Committee comments – **To be tabled**

## Background Papers: (open to public inspection)

- Budget Strategy - Executive, August 2013
- Corporate Strategy – Executive, November 2013
- Draft Budget – Executive, January 2014