Central Bedfordshire Council

EXECUTIVE - 10 February 2015

Budget 2015/16 and Medium Term Financial Plan

Report of Cllr Maurice Jones, Deputy Leader and Executive Member for Corporate Resources (cllr.maurice.jones@centralbedfordshire.gov.uk)

Advising Officers: Charles Warboys, Chief Finance Officer (charles.warboys@centralbedfordshire.gov.uk)

This report relates to a Key Decision

Purpose of this report

1. The report proposes the Budget for 2015/16 and updates the Medium Term Financial Plan approved by Council in February 2014.

RECOMMENDATIONS

The Executive is asked 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. **recommend to Council the Revenue Budget for 2015/16 and the Medium Term Financial Plan for 2015/16 to 2018/19;**
3. **recommend to Council the Fees & Charges relating to the Care Act Deferred Payment Scheme as detailed at paragraphs 90 -92;**
4. **note that there are no adjustments to the draft budget as described in paragraphs 29 - 33 of this report;**
5. **note the Council Tax Base as set out in Appendix G;**
6. **recommend to Council a Band D Council Tax (CBC element) of £1,308.33 for residents of Central Bedfordshire, representing a 0% increase on the charge for 2014/15;**

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; and**

8. **agree to continue to charge individuals when the Council arranges care and support to meet an individual's needs, subject to the appropriate financial assessment taking place; any statutory exemptions; and having regard to the relevant statutory guidance (as set out in paragraphs 80 – 86). This recommendation does not extend to situations where the Council arranges to meet a carer's support needs.**

Overview and Scrutiny Comments/Recommendations

2. Overview and Scrutiny Committees considered the budget proposals in their January 2015 cycle of meetings and comments are included at Appendix K.

Issues

3. The Medium Term Financial Plan (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.

4. The Budget for 2015/16 sets out the Council's finances and identifies the efficiencies required to produce a balanced budget in the light of the ongoing reduction in funding from Government and other pressures. £13.7m of efficiencies are identified for 2015/16 to produce a balanced budget. A further £28.4m of efficiencies are required over the subsequent three years to achieve the proposed MTFP.

5. The Capital Programme is included elsewhere on the agenda. However, the revenue implications of the Capital Programme are reflected in the proposals contained in this report.

6. A separate report in respect of the Housing Revenue Account (Landlord Services Business Plan) is also presented to this Executive.

Reasons for decision

7. To enable Council to approve the Budget 2015/16 and Medium Term Financial Plan 2015-2019.

Council Priorities

8. The Council approved the Medium Term Financial Plan (MTFP) for 2014/15 to 2017/18 in February 2014. The MTFP has been updated and extended to 2018/19 and a budget for 2015/16 prepared, reflecting further changes in funding, including the results of the Spending Review 2013 and new cost pressures and offsetting efficiencies.

9. 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.

   These priorities are reflected in the budget proposals included in this report.

<u>Corporate Implications</u>

Legal Implications

10. The Local Government Finance Act 1992 stipulates that the Council must set an amount of Council Tax payable for the financial year 2015/16 by 11 March 2015. Before calculating the level of Council Tax payable, the Council must consult representatives of non-domestic ratepayers in its area.

11. The Council's Constitution requires the Executive to publish a timetable for making proposals to the Council in respect of the budget. The timetable was set out in the budget framework report to Executive on the 19th August 2014.

12. There are statutory requirements in relation to consultation with employees and employee representatives. Where there are issues arising from budget proposals which require such consultation, the Council complies with these requirements.

Risk

13. Covered in paragraph 119.

Financial Implications

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

Equalities Implications

15. Where appropriate, Equalities Impact Assessments will be carried out for proposals.

Corporate Strategy

16. Over the past five years, the Council has generated savings of more than £70m in order to avoid increases in Council Tax whilst protecting front line services. It has achieved this by adopting a whole Council approach to robust budget management, efficiency and ensuring that the Directorate and Service priorities are clearly identified and resourced.

17. The future priorities and resourcing strategies for each Directorate are outlined below:

Children's Services

18. The Service is committed to achieve better outcomes for all Central Bedfordshire children through ensuring their care and protection and supporting school performance.

19. Demand for children's social care services is increasing and in order to meet this with the financial restrictions the Council faces, the Directorate is:

- Working with partners to develop multi agency services, including safeguarding arrangements and locality hubs,
- Focusing on early intervention to avoid children having to enter the care system.
- Increasing the number of children who are cared for locally and by foster carers engaged by the Council directly rather than expensive agencies.

Regeneration & Business Support

20. The Service aims to make Central Bedfordshire a place of national and international significance where people choose to live, work and visit, and a location where companies choose to invest.

21. In order to achieve these goals it will:

- Use its influence to sustain business growth, create jobs and increase asset values.

- Reinvigorate towns and localities to attract investment and jobs and improve lives of residents.
- Focus on prioritised programmes, which will be rigorously managed.
- Provide a ‘one stop’ response to businesses.

Social Care, Health & Housing (SCHH)

22. The Service is continuing to modernise adult social care and housing support to offer an improved customer experience and enable people to live independently for longer. It does so in the context of demographic pressures increasing demand and major legislative and other change programmes such as the Better Care Fund (April 2015) and the Care Act 2014 (phase one April 2015 and phase two in April 2016).

23. In addressing these pressures and ambitions, the Service will:

- Assist residents (including carers) who require care and support, irrespective of their financial means.
- Increase its focus on prevention, information and advice.
- Continue the journey towards the integration of health and social care, so that residents can access as much of the help and support they may need as possible, closer to where they live, and reducing the need for people to resort to hospitals.

Community Services

24. The Service aims to deliver excellent universal services which are fundamental to the Council’s vision of making Central Bedfordshire a great place to live and work.

25. As demand for these services increases and resources remain constrained, Community Services will:

- Drive efficiencies from procurement and supplier engagement.
- Invest in services in order to reduce running costs and increase usage and income (e.g. Leisure).
- Strengthen its commercialisation, particularly promoting the experience and skills of staff.
- Bringing some services in house to enhance efficiency, such as part of the new Highways service which will lead to further efficiencies in 2016/17.

Finance

26. The Service will continue to provide financial support and budgetary advice to the Council, with increasing focus on financial modelling and planning of the major changes the Council is introducing.

    Specifically, the Service will:
    - Review major processes and introduce technology to provide greater efficiency.
    - Introduce a Risk Based Verification process and an e-claim benefit application form to improve efficiency and service experience.
    - Adapt its Treasury Management Strategy so that the potential benefits of securing shorter term borrowing from other local authorities can be realised, whilst ensuring that exposure to interest rate movements will be closely monitored.

Improvement & Corporate Services

27. Improvement and Corporate Services provide specialist support to the whole of the Council through its range of expertise, insight and technology. The service also directly responds to residents' contacts via phone, web, mail and face to face, with over 1 million customer transactions a year.

    In addressing the resource challenges for the coming period, the Service will:
    - Meet pressures created through increased demand, primarily from Children's Social Care, from within its own means.
    - Rationalise and reduce expenditure in key areas such as IT programmes and server space.
    - Gain ever increasing value from third party spend.
    - Increase the revenue income we are able achieve primarily from property and land assets and by trading some services.
    - Develop mobile and integrated IT services.

Public Health

28. The Service supports residents to make the right lifestyle choices for their health by either directly commissioning services, influencing & advising on commissioning decisions of partners or through directly providing services. It is evidence based in its approach. It understands population needs and closely monitors its health to improve outcomes.

To deliver its goals the Service will:

- Increase cross-directorate working to increase productivity.
- Work closely with the Bedfordshire Clinical Commissioning Group to identify and meet the needs of the population and improve consistency.
- Continue to embed prevention and early intervention.
- Commission and monitor services for effectiveness and efficiency.

Background to the Budget Setting Process

Draft Budget

29. In February 2014 the Council approved the 2014/15 Budget and Medium Term Financial Plan to 2017/18.

30. The draft Budget for 2015/16 included the nationally negotiated 2.2% pay rise for the majority of staff earning £14,880 and above, with higher percentage increases for those earning less than this. The proposal has now been accepted by the relevant trade unions and will cover the period April 2014 to 31st March 2016 (i.e. 2 years).

31. The Budget process for 2015/16 built on that adopted in the prior year with a series of “Head of Service Reviews” at an early stage. This process was refined following input from Senior Management across the Council and key stakeholders. Heads of Service were requested to present their budget in detail if they met one of the following criteria:

    - Facing major changes in their area.
    - Have volatile budgets, or financial analysis indicated that outturn differed markedly from the forecast as at December 2013 (applies to both revenue and capital).
    - Those who have the opportunity to influence income growth.

32. Heads of Service who did not meet these criteria instead presented at their Directorate Management Team (DMT) thus ensuring that all areas of Council activity were reviewed.

33. This year, the Capital Programme was also included in the Head of Service review process, the two (i.e. revenue and capital plans) being run concurrently for the first time. There was an increased focus on what drives costs, and the degree to which these can be controlled, together with a more rigorous approach to reviewing Pressures & Efficiencies. Focus was on the major challenges and opportunities facing the Council.

Changes since the draft budget

34. The consultation responses received to date were broadly in support of the budget proposals and consequently no changes were required to the draft budget.

Budget Context & Economic Outlook

Budget Context

35. The MTFP has been updated against a background of significant challenges. In June 2013 the Government announced the results of a new 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.

36. 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.
- 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 councils of a portion of collected Business Rates and altering the Formula Grant distribution quantum and methodology.

37. There are significant social and economic drivers of change within Central Bedfordshire across the medium term and beyond, particularly:

- Central Bedfordshire's population has increased at a faster rate than nationally at 8.9% since the last census and a 12.4% increase is forecast by 2021.

- Population growth will be highest in the 90 + age group, 74% growth by 2021. Significant growth is also anticipated in the 85+ age group of 44% and 65 + age group of 35%.

- Continuing increased numbers and complexity of demand for Looked After Children, with additional focus partly as a result of several high profile child protection cases nationally in the last few years.

- Schools moving to Academy status and out of local authority control.

- Welfare Reform and the transfer of Local Council Tax Support to local authorities. The impacts of this are not yet fully apparent but there are increasing demands on the Revenues and Benefits team through additional workload and a rise in the non collection rate for Council tax.

- The Introduction of the Care Act and Better Care Fund will impact significantly on the activity of the Council (see paragraphs 80 to 94). An assumption has been made that this will increase grant funding but will be matched by equal expenditure, so there will be no net impact.

- 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.

Budget Objectives

38. The principal objectives of the 2015/16 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.

Spending Review 2013

39. Central Government carried out a Spending Review during 2013 and announced the results on 26 June 2013. This announcement set out indicative departmental budgets for the financial year 2015/16 and has had some significant impacts on the budget assumptions. The settlement in December 2014 was broadly in line with the indicative budget. The key issues are described below.

- The Spending Review unusually covered 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 three years of the MTFP.

- 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.

- Funding for the Education Services Grant will be cut by 20% from 2015/16. The grant is a per-pupil amount paid to the Council to support maintained schools only, and reduces as schools convert to academies. 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.

- Existing Council Tax Freeze Grants will be continued as part of the baseline formula grant. An additional grant equivalent to 1% is available in 2015/16 & 2016/17 for Councils freezing Council Tax in 2015/16.

Economic Outlook

Inflation

40. In November 2014, the Bank of England warned that inflation could fall below 1% in the next six months, owing to lower food, energy and import prices, as well as feeble growth in Europe and elsewhere.

41. The Governor of the Bank of England, Mark Carney, advised that he did not expect inflation to reach the targeted rate of 2% for three years. The Bank also cut its prediction for UK economic growth in 2015 to 2.9%.

42. In the year to September 2014 the Consumer Price Index (CPI) grew by 1.2%. Housing and household services (including utility bills) accounted for a third of the rate of inflation in the year to September 2014. A fall in the cost of motor fuel and food has in part compensated for this. If these were excluded the rate of inflation would be a third higher.

Quantitative Easing

43. The Bank of England decided to maintain the quantitative easing (QE) programme at £375bn at the meeting of the Monetary Policy Committee in November 2014. The objective of this is to boost the economy by increasing the supply of money, and so stimulate growth through investment.

Economic Growth and Unemployment

44. The Bank of England's Quarterly Inflation Report for November 2014 stated that whilst expansion in UK domestic demand has continued, the outlook for global growth has weakened. Some asset and commodity prices have fallen, as have market interest rate expectations.

45. Growth is projected to be a little weaker than in August 2014. It slows slightly in the near term, settling back to around historical average rates, underpinned by a gradual pickup in demand abroad and a revival in productivity and real household income growth at home.

46. The unemployment rate continued to fall, reaching 6.0% in the three months to September. The most recent decline largely reflects fewer people participating in the labour market, with employment rising more slowly than earlier in the year. Private sector productivity growth has picked up a little, but still remains weak.

47. The number of unemployed on the Labour Force Survey measure fell by 115,000 in the three months to September 2014 to stand at 1.96m, which is the lowest level for almost six years. However, the rate of decline was down from a drop of 154,000 in the three months to August 2014.

Scottish Independence / Devolution for English Regions and the Future of Local Government Finance.

48. Following the recent referendum on Scottish Independence, an Independent Commission on Local Government Finance has been set up to review the local government funding system. The LGA and the Chartered Institute of Public Finance and Accountancy (CIPFA) has asked the Commission to recommend changes to the system which will allow local government to meet the needs of its citizens, and in particular support the delivery of five key national policy objectives: grow the economy, increase the housing supply, integrate health and social care, promote work while protecting the vulnerable, and support families and children through early intervention.

49. The Commission believes the need for reform is urgent, and sees an opportunity to establish a funding system for local government which is largely self-sufficient. This should include powers to set council tax bands locally, revalue properties regularly and raise additional revenues. These are key to ensuring public services are sustainable in an age of austerity.

50. The Commission published an interim report on Local Government Finance on the 30 October 2014. A final report is due in January 2015.

51. 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.

Interest Rate Implications.

52. Interest rates remain very low, with the Bank of England Base rate fixed at 0.5% since March 2009. It is not envisaged that this will change in the immediate future with the Bank of England signalling that rates will remain on hold until the second half of 2015 at the earliest.

53. The Council is exposed to risk in terms of interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For example, a rise in interest rates would increase the revenue cost of borrowings at variable rates. The Council has a number of strategies for managing interest rate risk and aims to keep a maximum of 40% of its borrowings in variable rate loans.

54. The Council has a long-standing strategy of holding low cash balances to reduce investment counterparty risk. It contains its borrowing costs by continuing to borrow internally from its balances to fund capital expenditure in lieu of additional external borrowing. However, external borrowing will be required from December 2014 as cash balances are expected to have been reduced to a minimum level.

55. Revenue implications of the Capital Programme have been calculated on the assumption that most new borrowing will be taken on a short term basis, taking advantage of current low interest rates. Council borrowing has traditionally been obtained from the Public Works Loan Board (PWLB). However in the current market, local authorities are lending to each other at rates below the PWLB for short term periods and the inclusion of these rates has lowered the projected revenue implications of the Capital Programme over 2015/16 to 2018/19.

56. The rate of interest used is important in determining the revenue implications of borrowing arising from the Capital Programme. Importantly, the assumed borrowing costs over the period of the MTFP are particularly sensitive to any unexpected increases in interest rates. The table below demonstrates the impact on the MTFP of interest rates above those assumed in the Plan.

Additional costs over the Medium Term Financial Plan period of an unexpected increase in the interest rate

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
1% Point Higher	808	1,399	1,848	2,210
2% Points Higher	1,615	2,797	3,697	4,420

57. There is a risk that interest rates may increase or be higher than current rates when it comes to refinancing debt taken out on a short term basis. This would lead to higher revenue implications arising from the capital programme over the longer term, beyond the current MTFP period.

58. The Council's treasury management adviser, Arlingclose Ltd, forecasts the first rise in official interest rates in August 2015 and a gradual pace of increases thereafter, with the average for 2015/16 being around 0.75% compared to 0.50% in 2014/15.

59. The Council's MTFP assumes variable interest rate forecasts as follows:

	2015/16	2016/17	2017/18	2018/19
Rate %	0.75%	1.25%	1.5%	1.75%

60. The Council reviews its Treasury Management Strategy annually and monitors financial markets on an on-going basis. It is possible that, based on market conditions, the Council may choose to borrow at a fixed rate of interest to reduce exposure to variable debt. A small amount of new fixed debt has already been included within the revenue implications. Fixed interest rates are higher than variable rates and any decision to fix more debt in the short term would adversely impact revenue implications within the MTFP period.

Feedback from the public budget consultation

61. The Council has a responsibility to consult with residents and businesses on its budget and agreed a three phased plan of communications and engagement last summer. The first phase of activity took place in September 2014, when two market research exercises were conducted on budgetary issues. The first of these was with a representative sample of the community via an independently commissioned phone survey and the second exercise was with all households via a survey in News Central. The results of this research were reported within the Draft Budget 2015/16 and Medium Term Financial Plan report to Executive in January.

62. The second phase of activity relates to consultation on the draft budget and has centered upon proactive promotion of the proposals to the public and to key stakeholders. Conventional and digital communication channels have been used including targeted briefings for partner organisations and MPs, email updates to key customer groups including the business community and social media promotion on Facebook and Twitter.

Consultation activity has included opportunities for feedback on line, through a hard copy consultation leaflet and verbally, through a series of meetings and events including a Town and Parish Council Conference on 20th January and a Business Breakfast on 30th January.

63. Broad themes from the feedback are included in Appendix A. The consultation will run until 3rd February and any further and relevant feedback will be presented verbally to Executive.

64. Following the conclusion of the budget process for 2015/16, 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 Spring 2015.

Assumptions

65. The MTFP has been prepared taking account of various scenarios with input from the Local Government Association model and also a model provided by LG Futures. This ensures that the Council is prepared for a variety of financial situations.

66. The following assumptions have been applied in producing the Medium Term Financial Plan.

2014/15 Forecast Outturn

67. Based on current forecast this budget assumes 2014/15 outturn will be on budget.

Funding

68. Revenue Support Grant (RSG)

- An 8% RSG reduction has been assumed in each of 2016/17 and 2017/18. A further 5% reduction has been assumed in 2018/19.

69. Council Tax Freeze Grant

- Council Tax Freeze Grant will be received in 2015/16. This amount will be as per the 2014/15 Council tax Freeze Grant of £1.3m.
- 2014/15 Council Tax Freeze Grant is included in the Revenue Support Grant baseline (RSG) from 2015/16, as per the DCLG summer settlement consultation.
- Due to the uncertainty surrounding the outcome of the 2015 General Election, it is assumed that additional Council Tax Freeze Grants will not be provided in any year beyond 2015/16.

70. Council Tax

- The Council tax base for 2015/16 has grown by 2.17% as a result of housing growth within Central Bedfordshire and also a reduction in the Local Council Tax Support (LCTS).
- For future years we are assuming the tax base will increase by 0.85% per annum as a result of housing growth and also an increase of 0.1% per annum as a result of a reduction to (LCTS) claimants as fewer people claim LCTS and therefore are due to pay the full rate of Council Tax. The combined assumption is a 0.95% tax base increase per annum.
- Therefore over the MTFP period Council Tax funding is forecast to rise from £123.4m in 2015/16 to £125.7m in 2018/19.
- Zero increase in the rate of Council Tax over the Medium Term Financial Plan period. The Band D rate remains at £1,308.33 throughout the MTFP.

71. Retained Business Rates

- Business rates growth has been forecast as a result of collaboration between Finance and Regeneration. Additional business rates income of: £1.2m in 2015/16, £1.2m in 2016/17, £1.7m in 2017/18 and £1m in 2018/19 has been included in the MTFP.
- Use of a one off reserve comprising Section 31 grant income in 2013/14 is proposed in 2015/16. This has been received as compensation for the Government decision to cap NNDR increases at 2% rather than the full RPI increase due, amongst other factors.
- Anticipated specific grant income of £2.1m in 2014/15 is also proposed to be used in 2015/16. It is assumed that the same level of this grant will be received in each of the following financial years, after deducting the compensation provided due to the 2% cap on business rates increase. (Due to anticipated inflation falling below 2%).

Business Rates Review

72. 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 2014/15 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 only specific known growth of income has been forecast for 2015/16. For the remaining three years an element of growth has been added based on modelling work of future developments.

73. The Autumn Statement announced that a review of the structure of business rates will be carried out by the Government, reporting by Budget 2016. The review will be fiscally neutral and consistent with the Government's agreed financing of local authorities at national level, but it is uncertain what impact this might have on individual local authorities.

2017 Business Rates Revaluation

74. In October 2014 the Government introduced a new Growth and Infrastructure Bill into the House of Commons which included measures to postpone the next business rates revaluation in England from 2015 to 2017.

75. Business Rates will continue to be based on 2008 property values until 2017. This will impact the Medium Term Financial Plan from 2017/18, but the implications are unknown at present.

New Homes Bonus (NHB)

76. There is considerable uncertainty about the future of the NHB scheme.

- For the purpose of planning assumptions, NHB funding recognised in each financial year of the MTFP will remain at the 2014/15 budgeted level.
- Growth above this baseline will be held in an Earmarked Reserve to be used to fund infrastructure costs incurred as a result of growth and to mitigate budget pressures. Access to the Reserve will be supported by an approved business case.
- Under current arrangements, income will be received in each financial year of the MTFP period for properties completed two years prior. This funding continues for a rolling six year period. If there is no change to the basis of funding approximately £2.1m of additional income will be received in 2015/16.

Expenditure

77. Economic

- For all years of the MTFP inflation is allocated on a contract by contract basis.
- Paragraph 30 details the assumptions on the pay award for 2015/16. Thereafter 1% annually is assumed.

78. Financial

- Reserves remaining at 2014/15 level of £15.1m and exceeding the previously identified minimum prudent level of £11.2m.
- A detailed analysis of reserves is at Appendix E.

79. Contingency

- The contingency within the budget remains at £2.1 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. It must also be assessed alongside the level of General Fund reserves.

Care Act and Better Care Fund (BCF)

80. The Care Act 2014 will have important financial implications for the Council and some of these implications will not become evident until the Act is fully implemented and embedded. One implication identified by the Care Act 2014 guidance is that as of 1 April 2015 'Local Authorities' have a duty to arrange care and support for those with eligible needs, and a power to meet both eligible and non-eligible needs.

81. In all cases, a Local Authority has discretion to choose whether or not to charge under section 14 of the Care Act following a person's needs assessment. This represents a change to the current law, whereby the Local Authority has a duty to charge individuals for the care it provides in residential accommodation (under Part Three of the National Assistance Act 1948, subject to some exceptions and means testing) and has a power to charge individuals for the domiciliary and home care services that the Local Authority provides (subject to some exceptions and means testing).

82. Currently the Council charges for residential accommodation and also exercises its discretion to charge individuals for domiciliary and home care services. After the Care Act comes in to force, when the Council arranges any care and support (including residential care) for an individual, it will only be able to charge them if a decision is made to exercise its power under section 14 Care Act 2014. Without this decision such costs cannot be recouped by the Council once the Care Act 2014 is in force.

83. The Care and Support (Charging and Assessment of Resources) regulations 2014 provides further detail about the financial assessment under the Care Act 2014.

84. There are currently approximately 2,573 customers placed both within and outside of the Council's administrative area who are accessing care from the Council. This takes the form of the Council paying for the care packages direct to care providers. Each resident is then means-assessed and is charged or required to repay such costs to the Council.

85. The charges recovered for the same period is projected to be £11.0M. If there is to be no charge then resources dealing with financial assessments under the Care Act 2014 will not be required and the gross loss of revenue would be approximately £11.0M although it is noted that this is likely to increase in future years given the forecasted rise in care package costs for the adult social care population.

86. The budget is predicated on the Council continuing to charge for care and support services when section 14 of the Care Act 2014 comes in to force. The Council will keep under review this and any other financial implications which arise as a result of the Care Act 2014 and will need to consider this when planning for the 2016/17 budget.

87. Based on detailed modelling of the full implications of the Care Act, current estimates of the cost of the changes show that these may exceed this level of funding. The full impact of the changes on the Council's budget therefore remains uncertain at this stage.

88. For the purposes of this budget within the Directorate, it is assumed that there will be a matching increase in both grant income and expenditure, so there is no net impact on the Directorate budget.

89. However, due to this uncertainty a reserve has been created within Corporate Costs.

90. The Care Act stipulates that Local Authorities must offer the option of a deferred payment scheme to individuals if they meet certain criteria. The deferred payment scheme is intended to ensure that people should not be forced to sell their home in their lifetime to pay for their care. By taking out a deferred payment agreement, a person can 'defer; or delay paying the costs of their care and support until a later date. This means that they will not have to sell their home at a point of crisis.

91. From April 2015 the Council will be able to charge interest on deferral from inception. This is set nationally. An administration fee for setting up a deferred payment agreement can also be charged. The Council is not allowed to profit from the administration fee or interest charged to the customer.

92. The proposed fees to take effect from April 2015 are:

- Deferred Payment Agreement Costs: £600.
- Ongoing Costs: £150 per year. For more complicated cases, this charge could be higher as the services of the Valuation Office Agency will be used and charged at cost.

93. The Better Care Fund (previously referred to as the Integration Transformation Fund) was announced in June as part of the 2013 Spending Round. It provides an opportunity to transform local services so that people are provided with better integrated care and support. It encompasses a substantial level of funding to help local areas manage pressures and improve long term sustainability. The Fund will be an important enabler to take the integration agenda forward at scale and pace, acting as a significant catalyst for change.

94. Within CBC, the total pooled budget with the BCCG (Bedfordshire Clinical Commissioning Group) is £18.7m, of which: £4.0m (combination revenue and capital expenditure) is already in base budgets. £5.5m is already included in NHS funded grant in base budget. £9.2m is not currently in the budget so is reflected in the MTFP (both income and expenditure) for 2015/16.

Public Health 0-5 Children

95. From the 1st October 2015, responsibility for the commissioning of 0-5 year old children's public health services is transferring from NHS England to Local Government.

96. 0-5 children's public health services comprises commissioning the Healthy Child Programme including the health visiting service and Family Nurse Partnership (FNP) targeted services for teenage mothers.

97. This transfer will be fully funded by an increase to the public health grant and is £1.89m for CBC in 2015/16 (£3.8m in 2016/17). This is not expected to impact the net budget position. The final amount to be transferred was included in the finance settlement in December 2014.

<u>Medium Term Financial Plan (MTFP)</u>

Medium Term Financial Plan Summary

98. The key elements of the MTFP for 2015/16 to 2018/19 are shown at Appendix C. Table 1 shows a summary of this plan.

Table 1 Medium Term Financial Plan

Medium Term Financial Plan	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Funding				
Revenue Support Grant	29.8	27.4	25.2	24.0
Council Tax Freeze Grant	1.3	1.3	1.3	1.3
Retained Business Rates	32.0	34.0	36.5	38.3
Council Tax	123.4	123.3	124.5	125.7
Total Funding	**186.5**	**186.1**	**187.5**	**189.2**
Revenue Budget				
Opening Base Net Revenue Budget	186.0	186.5	186.1	187.5
Inflation	2.6	2.7	2.7	2.7
Pressures	11.6	9.6	7.0	6.4
Revenue Budget before efficiencies	**200.2**	**198.8**	**195.8**	**196.7**
Efficiency Savings identified	(13.7)	(6.0)	(2.2)	(1.6)
Efficiency Savings to be allocated	0	(6.8)	(6.1)	(5.8)
Total Revenue Budget after efficiencies	**186.5**	**186.1**	**187.5**	**189.2**

99. The 2015/16 amounts are based on the Local Government Settlement issued in December 2014. Amounts for the following three 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.

Funding Sources

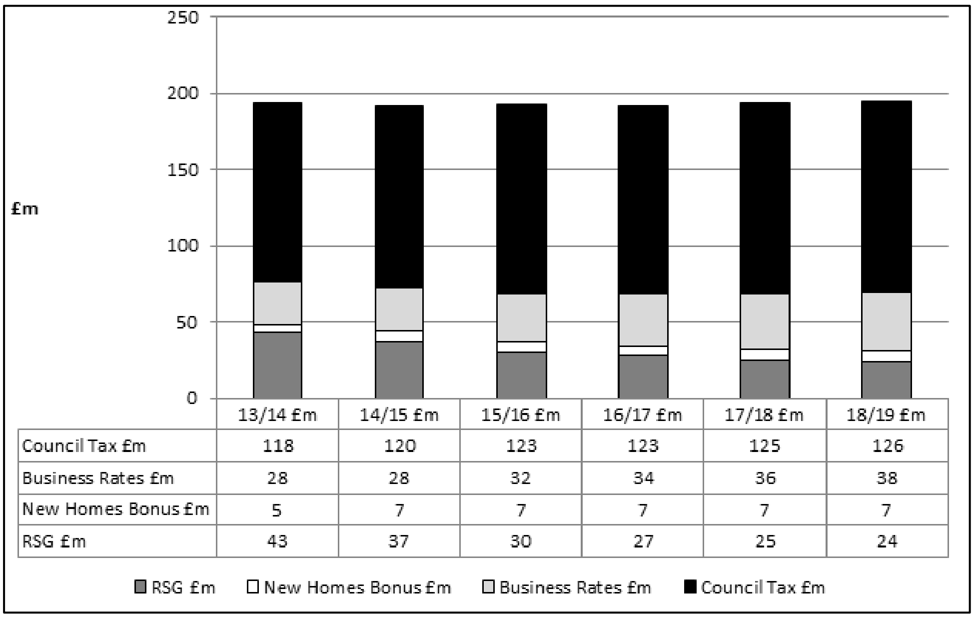
100. The Council's funding from Government over the MTFP period comprises three elements:

- Revenue Support Grant (RSG).
- Business Rates retention scheme and
- Grants, including Ring Fenced Grants & New Homes Bonus.

101. Local Government funding sources are forecast to change significantly over the Medium Term Financial Plan period 2015/16 to 2018/19.

102. Figure 1 below shows how Central Bedfordshire Council's funding sources are forecast to change over the MTFP period, with 2013/14 and 2014/15 as comparators.

Figure 1 – CBC Revenue budget Funding Sources Projection



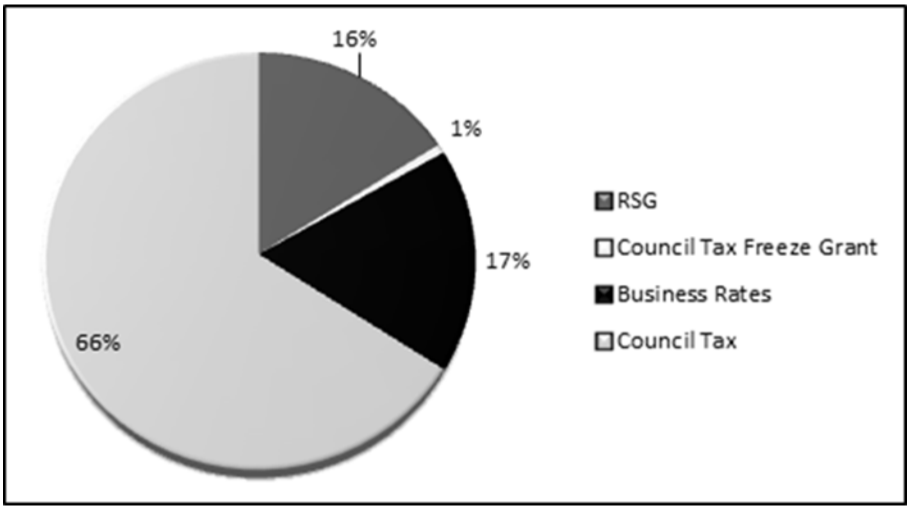
	13/14 £m	14/15 £m	15/16 £m	16/17 £m	17/18 £m	18/19 £m
Council Tax £m	118	120	123	123	125	126
Business Rates £m	28	28	32	34	36	38
New Homes Bonus £m	5	7	7	7	7	7
RSG £m	43	37	30	27	25	24

103. The above graph shows that over the MTFP period:

- Council Tax element increases from 61% of total funding in 13/14 to 64% in 2018/19.
- Business Rates Retention increases from 14% to 20%.
- New Homes Bonus is assumed to remain static.
- Revenue Support Grant decreases significantly from 22% to 12%.

104. The 2015/16 net revenue budget funding sources are shown in Figure 2.

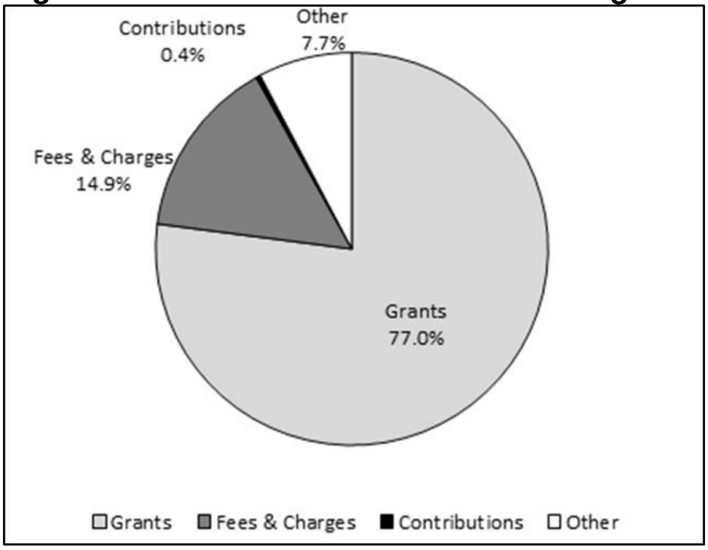
Figure 2 – 2015/16 Net Revenue budget income sources



Gross Budget Income Sources

105. Figure 3 below shows the 2015/16 Gross revenue budget income sources.

Figure 3 – Estimated 2015/16 Gross budget income sources



Fees and Charges

106. For the majority of services there will be a 2% increase for 2015/16. Fees & Charges for 2015/16 were subject to a separate report which was taken to Council in November 2014. Two new Fees that were not known about at that time relating to the Care act Deferred Payment schemes are covered in paragraphs 84 to 86.

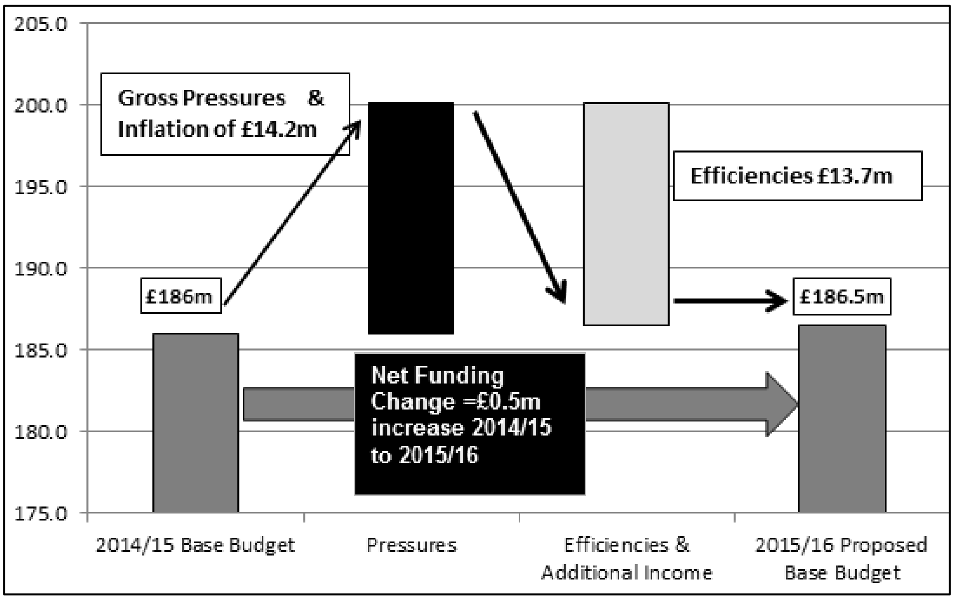
Grants

107. A detailed analysis of grant income is at Appendix F.

Expenditure Budget Detail

108. Figure 4 below reflects the change in Council's cost base.

Figure 4 Summary of changes to Central Bedfordshire Council's Net Expenditure Budget 2014/15 to 2015/16.



109. The information in figure 4, above, is broken down by Directorate in table 2 below.

Table 2 2015/16 Net Expenditure Budget breakdown by Directorate

Medium Term Financial Plan	Expenditure Budget 2014/15 £m	Inflation £m	Unavoidable Cost Pressures £m	Efficiencies £m	Net Base Expenditure Budget 2015/16 £m
Social Care, Health & Housing	62.9	0.9	6.3	(6.4)	63.7
Children's Services	44.8	0.4	1.8	(2.8)	44.2
Community Services	36.7	0.9	0.8	(2.0)	36.4
Regeneration and Business Support	5.1	0.1	0.0	(0.4)	4.8
Public Health	(0.6)	0.0	0.0	0	(0.6)
Improvement and Corporate Services	21.6	0.3	0.7	(1.7)	20.9
Corporate Resources	5.0	0.1	0.2	(0.6)	4.7
Corporate Costs	10.5	0.0	1.8	0.2	12.5
Total	186.0	2.6	11.6	(13.7)	186.5

Efficiencies

110. All of the £13.7m efficiencies have been identified and are shown at Appendices I(i) and I(ii). A summary of these is shown below in table 3 and below in table 4.

111. 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.

112. The themes encapsulate the Council's approach to delivering efficiencies whilst maintaining the outcomes from services delivered. Table 3 below groups the efficiencies by these themes.

Table 3 Medium Term Financial Plan Efficiencies by Category

Ref	Category	2015/16	2016/17	2017/18	2018/19	Total
		£000s	£000s	£000s	£000s	£000s
A	Moving from institutional investment to personal solutions	(1,200)	(350)	-	-	**(1,550)**
B	Early Intervention and enabling independence	(798)	(666)	(169)	(525)	**(2,158)**
C	Review of contract and tendering arrangements	(4,179)	(1,437)	(566)	(544)	**(6,726)**
D	Income generation - new sources and methods	(2,115)	(1,185)	(930)	(40)	**(4,270)**
E	Self service through digital channels	-	-	-	-	**-**
F	Rationalisation	(5,425)	(2,318)	(486)	(508)	**(8,737)**
Total		**(13,717)**	**(5,956)**	**(2,151)**	**(1,617)**	**(23,441)**

113. Public Health contributes £0.4m of new efficiencies in 2015/16 by supporting directorate activity. These are included within the directorate efficiencies as detailed in Appendix I (i) & (ii).

114. Table 4 below shows the breakdown of efficiencies by directorate.

Table 4 Efficiencies by Directorate 2015/16 to 2018/19

	2015/16	2016/17	2017/18	2018/19	Total
Efficiencies	**£m**	**£m**	**£m**	**£m**	**£m**
Social Care, Health & Housing	(6.4)	(2.1)	(0.9)	(1.1)	**(10.5)**
Children's Services	(2.8)	(2.0)	(0.4)	(0.3)	**(5.4)**
Community Services	(2.0)	(1.2)	(0.5)	(0.0)	**(3.8)**
Regeneration and Business Support	(0.4)	0.1	(0.1)	0	**(0.3)**
Public Health	0	0	0	0	**0**
Improvement and Corporate Services	(1.7)	(0.5)	(0.2)	(0.2)	**(2.6)**
Corporate Resources	(0.6)	(0.2)	(0.0)	0	**(0.8)**
Corporate Costs	0.2	(0.1)	0.0	0.0	**0.0**
Total	**(13.7)**	**(6.0)**	**(2.2)**	**(1.6)**	**(23.4)**

(Note – Any minor rounding differences are due to linking to detailed spreadsheets. For more detail see the Pressures and Efficiencies appendices).

Pressures

115. A full breakdown of cost pressures is provided at Appendix H with the major items relating to:

- Increased demand for care services from an ageing population £1.8m.
- Increased demand for adult disability services £1.1m.
- Costs of Care (Ordinary Residence) £0.8m.
- Social Care Health & Housing flowthrough of 2014/15 pressures of £1m.
- Increase in number of Special Guardianship Orders £0.7m.
- 20% reduction in Education Services grant (£0.52m).

Table 5 Pressures by Directorate 2015/16 to 2018/19

Pressures	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
Social Care, Health & Housing	6.3	4.3	3.6	3.8	**18.0**
Children's Services	1.8	1.1	0.6	0.5	**4.0**
Community Services	0.8	0.5	0.8	0.2	**2.3**
Regeneration and Business Support	0.0	0.0	0.0	0.0	**0.0**
Public Health	0.0	0.0	0.0	0.0	**0.0**
Improvement and Corporate Services	0.7	0.0	0.1	0.2	**1.0**
Corporate Resources	0.2	0.2	0.0	0.0	**0.4**
Corporate Costs	1.8	3.5	1.9	1.8	**9.0**
Total	**11.6**	**9.6**	**7.0**	**6.4**	**34.7**

(Note – Any minor rounding differences are due to linking to detailed spreadsheets. For more detail see the Pressures and Efficiencies appendices).

<u>Reserves</u>

116. One of the key budget objectives is to maintain General Fund reserves to at least a risk assessed prudent minimum level. The anticipated outturn for 2014/15 indicates a General Fund reserve position of £15.1m with no further planned use of General Fund reserves and so the previously identified minimum prudent level of £11.2m has been achieved.

117. The reserves policy has been updated to ensure it accounts for these risk factors and will be presented with the final budget report. The budget also includes a contingency element of £2.1m.

118. The assessment of the appropriate level of reserves is continually kept under review. The latest review is included as Appendix E. Reserve levels have taken account of the continued reductions in funding levels and significant future pressures across all forms of social care service in particular. Our current level of General Fund Reserves is within the range indicated as required, though at the lower end. The level of General Fund Reserves is kept under continual review.

Risk Management

119. 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 in 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 the number of children and older people in care.
- Ability to achieve £13.7m savings in 2015/16 and £42.1m on total over plan period.
- Reductions in Dedicated Schools Grant (DSG) and Education Services Grant (including reductions due to academy conversions).
- 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.
- Impact of Care Act and Better Care Fund.
- Risk of school deficits and redundancy costs falling to the Council.
- Uncertainty around the continuation of New Homes Bonus
- Impact on future funding following the General Election in May 2015.

2015/16 Capital Programme

120. 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 2015/16 are reflected below.

Table 6 2015/16 Capital Programme Budget (Excluding HRA)

Gross Expenditure	External Funding	Net Expenditure
£m	£m	£m
113.020	(62.744)	50.276

Table 7 2015/16 Capital Programme Funding (Excluding HRA)

Funding Source	2015/16
	£m
Gross Expenditure Budget	113.020
External Funding	(62.744)
Net Expenditure Budget	**50.276**
Funded by :	
Capital Receipts	(13.101)
Borrowing	(37.175)
Total Funding	**(50.276)**

Table 8 2015/16 Capital Programme Revenue Implications (Excluding HRA)

Minimum Revenue Provision	Interest	Total Revenue Implications
£m	£m	£m
7.434	5.986	**13.420**

121. Table 9 below shows the change in Capital Programme Revenue implications.

Table 9 Capital Programme Revenue Implications (Excluding HRA)

	Opening positon £m	Movements			Closing Position £m
		Interest Charges £m	MRP £m	Total change £m	
2015/16	**13.06**	0.39	(0.03)	0.36	**13.42**
2016/17	**13.42**	1.01	1.08	2.09	**15.51**
2017/18	**15.51**	0.94	0.91	1.85	**17.36**
2018/19	**17.36**	0.72	1.06	1.78	**19.14**

122. Minimum Revenue Provision (MRP) is the minimum amount which must be charged to the revenue account each year and set aside as provision for repaying the principle element of external loans and meeting other credit liabilities (this is the equivalent of depreciation). Interest is the estimated cost of borrowing to fund the capital programme.

Timetable Milestones

123. The timetable that has been followed for Council to agree its budget in February 2015 is set out in Table 10 below:

Table 10 Timetable Milestones

Date	Body	Outcome
23rd December 2014	Public	Budget papers made available to Public and Public Consultation commences
13th January 2015	Executive	Considers Draft Budget
20th January 2015 22nd January 2015 26th January 2015 27th January 2015	Children's Services Overview & Scrutiny Sustainable Communities Overview & Scrutiny Social Care, Health & Housing Overview & Scrutiny Corporate Resources Overview & Scrutiny	Consideration of efficiencies and savings and draft budget proposals

10th February 2015	Executive	Recommends Final Budget
26th February 2015	Council	Approves Budget
3rd March 2015	Council	Reserve Council Meeting

Appendices

Appendix A	Budget Consultation
Appendix B	List of petitions
Appendix C (i)	MTFP Four year Summary
Appendix C(ii)	MTFP Annual Summary
Appendix D (i)	Budgets by Head of Service
Appendix D (ii)	Budgets by Head of Service Subjective
Appendix E	Reserves
Appendix F	Grant Income
Appendix G	Tax Base
Appendix H	Pressures
Appendix I (I)	Efficiencies by Directorate
Appendix I (ii)	Efficiencies by Category
Appendix K	Overview & Scrutiny Committee comments
Appendix L	2015/16 Budget Diagram

Background Papers

(i) Budget Strategy - Executive, August 2014