CABINET

15 FEBRUARY 2011

REPORT OF THE CABINET MEMBER FOR FINANCE, REVENUES AND BENEFITS

Title: Budget Framework 2011/12	**For Decision**

Summary:

This report sets out the
- three year Council Plan
- the Medium Term Financial Strategy and a two year summary level financial model for the council,
- four year capital investment programme,
- detailed annual revenue estimates for revised 2010/11 and 2011/12, and
- the proposed level of council tax for 2011/12

Following the local elections in May 2010 the Council Plan has been reviewed.

The financial outlook is one of significantly reduced resources (£20m) over the two year period.

The proposed capital investment programme focuses the limited capital resources on the Council's priorities.

The revised estimates for this financial year (2010/11) confirm the decisions made previously by Cabinet. The net revised budget is £151.7m, and the latest in-year monitoring (see concurrent report on agenda) projects a overspend of £2.7m which officers continue to work on to achieve an outturn within budget.

The annual estimates for 2011/12 incorporate the major decisions approved in the Medium Term Financial Strategy (MTFS) last year, and reflect the significant changes made to the council's financial position arising mainly from the changes in Government funding. In summary, there has been a £12.2m reduction in the council's resources for 2011/12. Difficult decisions have had to be made to ensure that a robust budget is set which protects the core services we provide, and provides value for money to our residents. The annual budget has been set within the framework of achieving a third consecutive year of not increasing the Council Tax to be paid by residents.

In producing the Council Plan, MTFS, capital programme and annual revenue budget the Council has been conscious of the need to focus on the core priorities. Policy led budgeting informed by Cabinet and Select Committees has informed the re-allocation of resources

The proposed GLA precept of £309.82 per Band D property has not changed since last year. This precept figure is subject to the London Assembly approval on 23 February 2011.

Wards Affected: All

Recommendation(s)

The Cabinet is recommended to refer to the Assembly for approval:-

(i) The Council Plan – Building a better life for all (Appendices A and B)
(ii) The Medium Term Financial Strategy 2011/12-13/14 (Appendices C and D)
(iii) The five year 2010/11-14/15 capital investment programme (Appendix G)
(iv) A Council Tax freeze for 2011/12 as set out at Appendices L and M, subject to the final precept announcement for the Greater London Authority.
(v) The budget options and budget as set out at Appendices E, J and K.
(vi) The position on reserves as set out in paragraph 2.7
(vii) The Prudential Indicators for the Authority as set out in Appendix H.
(viii) To delegate to the Corporate Director of Finance and Resources
   a. the responsibility to allocate initial savings targets across all services for the 2012/13 budget process to commence in April 2011
   b. the allocation of Invest to Save Funds to support departments in achieving savings subject to the receipt and acceptance of a robust business case

The Cabinet is recommended to note

(ix) the current capital accounting arrangements and prudential indicator capital guidelines as set out in section 3;
(x) To note the continuing need to identify relevant efficiency gains throughout the organisation (paragraph 9).

Reason(s)

Under the Council's Constitution, it is necessary for the Cabinet to refer a proposed revenue budget and Council Tax to the Assembly for approval or amendment.

Comments of the Chief Financial Officer

The setting of a robust budget and Council Tax for 2011/12 will enable the Council to provide and deliver required Council Services within its overall business and financial planning framework.

Comments of the Legal Partner

Legal comments appear in paragraph 7 of the report.

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1. Background

1.1 The purpose of this report is to propose a Council Plan (which is the Vision, Policy House and Performance House, see Appendices A and B), medium term financial strategy 2011/12-13/14, capital programme 2010/11-14/15, revenue budget 2011/12 and Council Tax for 2011/12, which will be referred to Assembly for consideration on 23 February 2011. This is a legal requirement.

1.2 The proposals have been set against the background of the significant changes arising from both the local and general elections in May 2010, and the Comprehensive Spending Review (CSR) announced in October 2010.

1.3 In order to reflect these changes the Cabinet has reconsidered the priorities, and developed a vision, a 'Policy House' and a 'Performance House'. The detailed versions of these are included in Appendix B (please note that the Policy and Performance Houses are shown in narrative form here, and not in their customary A3 pictorial format. This is for administrative convenience and to make the text easier to read). In order to ensure that the Council's priorities and vision are accessible to all, a simpler more succinct version of the documents will be developed for external communications and publication on the Council's internet site.

1.4 The key themes of the revised priorities under a vision of 'Building a better life for all' are;

Better Together

We all want our Borough to be a place we can be proud of. Pride too in being good neighbours and in the respect we show to others. A real community, where local people have the confidence to be involved in the decisions that affect their lives, their street, their neighbourhood, their Borough. For that, people need to feel safe and to have confidence that the authorities are on their side. Building pride can't be done by the Council alone – we need to work with all our partners and with the voluntary sector and community groups to create a community everyone can take pride in.

Better Home

More people want to live in our Borough. That means we need a range of housing options, including both quality affordable/social housing and aspirational housing, for now and the future. But home is about more than just a house, and we want our streets, parks and estates to reflect people's pride in where they live. We have a vision for housing, for estates and better parks, that we want local people to share. With local residents' help we will make Barking & Dagenham somewhere where people can raise their family – knowing that their council is working hard to make the Borough somewhere they can call home.

Better Health and well-being

With the Olympics on the horizon we want our Borough to be a healthier, fitter place. Where people can get help to stop smoking, get the advice they need to lose weight and can exercise in pleasant surroundings. For the most vulnerable, and those less able, we believe in giving independence and choice – and we will continue to deliver quality social care to those who need it.

Better Future

We want a borough that believes in opportunity – one that recognises and champions success, where people can look to the future with confidence, assured that their council will do what it can to provide the educational, academic and vocational opportunities they need. A borough of rising, not falling incomes. A working borough – where business and entrepreneurship is given the help it needs. A place where hard work is rewarded and where effort and determination are encouraged.

1.5 Cabinet has received various reports during the last 9 months setting out the process and decision points to produce the robust budget now proposed. In addition, for the first time the Select Committees have been informed and consulted with at an early stage in the process (October – December 2010) on the proposed budget savings required to ensure a balanced budget.

1.6 In setting the proposed 2011/12 revenue budget and the capital investment programme officers have assessed the budget, including the unavoidable pressures facing the Authority and the costs of continuing with existing policies and practices.

1.7 The proposal put to the London Assembly by the Mayor was for a freeze in the Greater London Authority precept at 2010/11 levels. The Mayor's proposal is to be considered by the London Assembly on 23 February 2010. A verbal update on the final precept agreed will be made at the Assembly meeting.

2 Medium Term Financial Strategy

2.1 The medium term financial strategy sets out the national financial context within which the Council operates, the financial objectives which the Council wishes to achieve and the mechanisms with which it plans to achieve these objectives. The strategy is attached as Appendix C. The anticipated major changes to the costs and funding which the council may expect are then modelled using this framework. The model is produced at a detailed level for the following two year period and at a more strategic level for the following years. The major changes are categorised against;

- statutory and economic climate issues
- previous member decisions
- future investment
- to ensure robust budget
- funding

In summary, the additional pressures/costs over the two year period 2011/12-12/13 is £14m. Funding has reduced by £20.1m over the period producing a gross Budget Gap of £34.1m. The detail for each of these is set out in Appendix D.

2.2 In particular, the major change in the council's financial position this year arises from the change in Government funding. Below is a table showing the year on year changes to Government funding.

Grant	2010/11 (adjusted) £m	2011/12 £m	2012/13 £m
Formula Grant	115.0	105.4	99.0
Specific Grants	26.4	20.1	18.7
Council Tax Freeze Grant	0	1.3	1.3
NHS Grant	0	2.4	2.3
Total	**141.4**	**129.2**	**121.3**
Change £m		**(12.2)**	**(7.9)**
Change %age		**(8.6)**	**(6.1)**

2.3 The Government made significant changes both to the overall level of funding to councils, and the way in which they allocated that reduced funding to individual authorities. The major changes are

- The overall level of funding for all local authorities was reduced by 32.3% over the four year period of the CSR. Local authorities were expected to have their years one and two savings front loaded in comparison with police and fire authorities. This results in a first year reduction in Government resources of 16.7%, and second year of 11% for Local Authorities.
- The CLG settlement is for two years and not four as expected per the CSR, hence, the MTFS now focuses on two years instead of three. However, to maintain prudence directorates are continuing to propose savings for year three.
- Reduction in the number of ring-fenced grants, and their deletion or roll up into the formula grant allocation methodology;
- Cessation of the Area Based Grant (ABG) arrangement;
- Creation of Early Intervention Grant and Learning Disability Grant;
- Creation of a NHS funded grant;
- Council Tax Freeze grant – a grant equivalent to a 2.5% increase in Council Tax for those councils who freeze their Council Tax;

The effect of the reductions in funding arising from reduced overall resources has in part been mitigated for this Council due to further changes which the Government has made to the way in which it allocates formula grant. In particular, the Government has reduced the proportion of grant it allocates on a per capita basis and increased the proportion allocated on a needs basis.

2.4 An analysis of the movement of the grants received by the Council is shown in Appendix F.

2.5 In order to address the budget gap, Members and officers have worked hard to identify savings options which, whilst protecting core services, enable the council to set a robust budget. For the first year detailed savings options for the three year period of the MTFS have been identified and subject to consideration by the appropriate Select Committee. Understanding the estimated budget gaps in future years will enable departments to plan ahead to achieve savings which may take many months of preparatory work in future years.

2.6 At the time of writing this report, not all grants have been confirmed by the relevant Government department and therefore assumptions have had to be made that they will be received. To mitigate this risk, which totals approximately £0.5m, a central contingency is maintained but Cabinet may decide, if the grant is not received, to reduce associated expenditure.

2.7 Given the level of risks facing the Council, the Corporate Director of Finance & Resources is maintaining her view that the minimum level of reserves needs to remain at a minimum of £10m. Whilst the current monitoring reports indicate that the 2010/11 year end position will be below that, action plans are in place to address in year overspends and the 2011/12 budget includes a contribution to reserves of £1.5m. A level of £10m reflects approximately 5% of the net revenue budget of the authority.

2.8 Appendix E sets out the three year budget savings now proposed. Appendix F explains the detail behind the proposed 2011/12 savings in more detail.

3 Capital Programme

3.1 The Council is required to review its capital spending plans each year and set a Capital Programme. A key consideration when setting the programme is the projected level of available capital resources. The authority's Capital Strategy is an over-arching policy document which relates to investment in services. It describes how the deployment and redistribution of capital resources contributes to the achievement of corporate goals. It is updated on an annual basis and is part of the Medium Term Financial Strategy.

3.2 The overarching objectives for the Capital Strategy are as follows:

- Successfully deliver a capital programme which is consistent with the Council's key priorities;
- Maximising external funding to support the delivery of the capital programme consistent with the Councils' key priorities, both from the private sector and through government grant funding; and
- Maximising the utilisation of the Council's assets by:
    - Ensuring that all investment properties are making sufficient returns;
    - Ensuring that non-profitable investment properties and assets surplus to requirements are disposed of as efficiently as possible; and
    - Monitoring the utilisation of assets on a regular basis.

In 2010/11 economic conditions continued to be not favourable for asset disposals. Market conditions will continue to be monitored and if they improve land sales will be considered in the future.

3.3 The Property and Asset Management Plan is integral to the Council's future capital investment planning process. It provides essential information in determining capital investment needs. The formulation of the 2011/12 – 2014/15 capital programme has taken account of the Council's Property and Asset Management Plan and consequently capital schemes are assessed and approved on the basis of this strategy.

3.4 The basis of the formulation of the revised programme for 2011/12 to 2014/15 takes account of:

- the approved programme agreed in the 2010/11 budget;
- any new approvals, deletions or re-profiling of schemes throughout 2010/11, and
- identification of any capital requirements and resources for 2011/12 and beyond.

3.5 The identification of new or additional capital requirements for 2011/12 and beyond has been informed by submission of proposals by services based upon known need and the priorities that the council has identified in the Council Plan.

3.6 The new schemes proposed in this report have yet to be subject to review by the Capital Programme Monitoring Office (CPMO) and will need to achieve 5 green lights before expenditure can be incurred.

3.7 A variety of resources are available to local authorities to fund capital investment. The Medium Term Financial Strategy has set aside revenue funding to enable the Council to fund borrowing over the period from 2011/12 to 2014/15. The purpose of this funding is to complement other sources of funding, such as external grants, to enable the Council to deliver an ambitious capital programme that supports its objectives.

3.8 A second source of funding is capital receipts which arise from the sale of assets such as surplus land and the sale of council dwellings. The generation of capital receipts is currently limited due to the economic downturn, so the capital programme does not rely on generation of capital receipts for its funding.

3.9 A third source of funding is capital grants, or external funding, issued by Government departments and agencies, which are often allocated on a competitive bidding basis for specified purposes. Many of these require local authorities to make a financial commitment to the running costs of the schemes.

3.10 The capital programme contains two new bids, the provision of new school places and the Barking station interchange, totalling £14.8m of investment over the coming period all funded from external monies.

3.11 The major anticipated external funding is for investment in schools and the Major Repairs Allowance (MRA) to fund Housing improvements.

3.12 It is the Chief Financial Officer's view that this level of borrowing is prudent, affordable and sustainable. These considerations form part of an assessment that must be carried out under the Prudential Code for Capital Investment.

Capital Accounting Arrangements

3.13 The enabling legislation for the current capital regime is set out in the Local Government Act 2003 which came into force on the 1st April 2004. Since this date, authorities have been empowered with greater freedoms to borrow than under the previous system, providing they can meet the revenue costs of the borrowing and the running costs of the resultant capital scheme. The capital system provides for an integrated approach to capital investment decision making with an authority having to take account the following when setting its prudential indicators:

- Affordability;
- its asset management plans;
- the implications for external borrowing;
- Value for money through options appraisal and its strategic plans.

The aim is to bring together revenue and capital resources to meet service delivery objectives.

3.14 Prior to April 2004 the previous capital control system used in the main, the issue of annual Credit approvals by Central Government. These approvals allowed local authorities to either borrow or enter into other long-term credit arrangements up to an approved level. The use of this system effectively allowed the Government to control Council's borrowing and prevent local government from generating unsustainable levels of debt.

3.15 Instead of the use of credit approvals, the current system places reliance on a series of prudential indicators that must be determined by each local authority for the forthcoming year and the following two years. These indicators assist Council's in determining an appropriate level of borrowing and to provide benchmarks against which they can monitor their borrowing levels.

3.16 In simple terms the Council is able to borrow at whatever levels it feels are necessary so long as any borrowing is affordable, prudent and sustainable. These prudential guidelines require the Council to set out various indicators on its capital plans, investments and projected Council Tax increases.

3.17 In addition local authorities are required to pool their housing capital receipts in the following way:

	Retained by Council	**Paid into National Pool**
Right to Buy Receipts	25%	75%
Other Housing Receipts	50%	50%

3.18 In the previous 5 years, this has had a significant impact on the Council's financial position. Prior to 2004, all capital receipts were kept and contributed to the Council's buoyant financial position and debt free status. Post-2004, the Council's capital balances have reduced as receipts have been pooled to central government.

3.19 From 2011/12 onwards, the impact of pooling for the Council will be limited – due to adverse economic conditions, land sales and right to buy receipts will be limited over the coming years. However, as the market starts to improve, this impact may increase again.

Prudential Indicators

3.20 The prudential code for capital finance was introduced in April 2004 and is based upon a prudential system of borrowing. Under this framework, Councils have to set a series of indicators to assess whether capital investment is affordable, sustainable and prudent. In coming to this assessment, a series of "prudential indicators" need to be set. These compulsory prudential indicators are referred to in the Local Government Act 2003 and are embodied in the CIPFA Prudential Code.

3.21 The prudential system places reliance on a series of prudential indicators that must be determined by each local authority for the forthcoming year and the two following financial years. These indicators can be grouped into the following categories:

- Affordability;
- Prudence;
- Capital Expenditure;
- External Debt;
- Treasury Management.

Although there are five key prudential indicator headings, they should not be looked at in isolation as they all have inter-relationships with one another. The prudential indicators can be summarised as follows:

Affordability
These indicators compare the cost of all the authority's external borrowing with its overall expenditure. They also identify the increase in both Council Tax and HRA rents that will result from any additional borrowing. The indicators for affordability are:

- Estimated/actual ratio of financing costs to net revenue stream for HRA and general fund;
- Estimates of the incremental impact of capital investment decisions on both the Council Tax and housing rents.

Prudence
This indicator is designed to ensure that medium term borrowing is only used for capital purposes. The indicators for prudence are:

- Net borrowing and Capital Financing requirement

Capital Expenditure
These indicators look at estimated and actual capital expenditure and the Capital financing requirement. The indicators for capital expenditure are:

- Estimated/actual capital financing requirement (i.e. borrowing) for HRA and general fund;
- Estimated/actual capital expenditure for HRA and general fund.

External Debt
These indicators set out the limits for external borrowing and are set in the context of the authority's Treasury Management Policy and strategy.
The indicators for external debt are:

- Authorised limit for external debt i.e. the authorised limit for borrowing plus the authorised limit for other long term liabilities;
- Operational boundary for external debt i.e. total external debt gross of investments separately identifying borrowing form other long term liabilities;
- Actual external debt as at 31 March of previous year.

Treasury Management

3.22 These indicators address treasury management issues such as the amount of debt at fixed rates, the amount at variable rates and the period over which the money is borrowed. The indicators for Treasury Management are:

- Adoption of CIPFA Code of Practice for Treasury Management in the Public Services;
- Upper limit on fixed interest rate exposure;
- Upper limit on variable interest rate exposure;
- Upper and lower limits for the maturity structure of borrowing;
- Prudential limits for principal sums invested for longer than 364 days.

3.23 The code also places specific responsibilities on the Chief Finance Officer to ensure that matters required to be considered when setting and revising prudential limits are reported to the decision making body and to ensure that appropriate monitoring and reporting arrangements are put in place to assess performance against all the forward-looking indicators.

3.24 Detailed work has been undertaken on the relevant Prudential Indicators required for the Authority in relation to the Capital programme and these are set out at Appendix H. These indicators are reported to the Cabinet as part of the budget monitoring report on a quarterly basis to reflect any changes to the programme throughout the year. Those indicators relating to treasury management are reported within the Council's Annual Treasury Management Statement.

3.25 In summary, it is the Chief Financial Officer's view that the 2011/12 to 2014/15 capital programme is prudent, sustainable and affordable.

Capital Appraisal System

3.26 The Council has in place a Capital Programme Monitoring Office (CPMO) whose purpose is to provide a programme management function for the capital programme. These functions include clear processes around programme management, project appraisal and programme assembly.

3.27 The whole process is Green Book compliant and has been recognised as good practice by both the I&DeA and the Audit Commission. As a result all proposed capital projects are appraised by the CPMO and scored in terms of:

- Strategic fit & business justifications;
- Options analysis & achievability;

- Management & delivery structure;
- Risk Analysis; and
- Financial implications

3.28 These appraisals involve a challenging process to departmental programme managers and concentrate on issues such as risks to the authority, revenue implications, deliverable benefits and measured outcomes to the community.

3.29 The appraisal process has become a cornerstone to the construction, approval and delivery of the Council's Capital plans. To ensure continuous improvement in this area the whole appraisal process is currently undergoing a review to meet all best practice guidelines.

Capital Programme 2010/11 – latest position

3.30 The Capital Programme is being managed by the Capital Programme Monitoring Office (CPMO) alongside the scheme managers in the relevant Departments. Support from the Finance Department is also provided to assist with the financial monitoring of the overall Programme.

3.31 The revised Capital Programme for 2010/11 currently totals £120m following the reprofiling as set out in the December 2010 budget monitoring report, although this includes schemes subject to appraisal. The full breakdown of the revised Capital Programme scheme by scheme for 2010/11 is shown in Appendix G.

3.32 As at the end of December 2010 £61.56m of this year's programme has been spent. This revised programme reflects the re-profiling of a number of schemes throughout the year which have previously been reported to the Cabinet. In addition to this 'physical' spend there are a great number of schemes which have commitments to spend before the year end. It is quite usual for the majority of spending on capital schemes to occur in the latter part of the year as a result of tender exercises and consultation.

Proposed Capital Budget 2011/12 to 2014/15 - new capital bids

3.33 During 2010/11 all service departments were asked to review the existing capital programme and consider their potential new capital investment requirements from 2011/12 onwards in accordance with the Council's capital investment priorities.

3.34 The current capital programme is already funding a significant number of schemes to enable the Council to deliver its priorities on behalf of local residents. Due to the current economic conditions, an affordability assessment was undertaken on potential additions to the capital programme.

3.35 Firstly, an exercise of re-prioritisation of capital schemes was undertaken, with the resources identified as available for re-direction funding a programme of New Council House Building. A report setting out this programme in detail was taken to the Executive on 19 January 2010, and this report formalises the programme into capital budgets.

3.36 Secondly, this report confirms the Council's commitment to fund the Skill Centre. The total project costs are £13.9m. Of this, a grant of £5m has been secured from the Department for Children, Schools and Families. Other sources of funding, including Section 106 balances, have been identified which will fund a further £3m of this development. This leaves a residual balance of £5.9m. While the Council has set aside funding to cover this balance, officers will continue to seek external funding and contributions to close the gap on this development.

3.37 As a result of the inclusion of these additional schemes, the revised capital programme, and how it will be funded will be as follows:

	2011/12	2012/13	2013/14	Total
	£'000	£'000	£'000	£'000
Total Expenditure	121,652	37,775	13,884	173,311
Funding				
- External	84,523	32,482	13,500	130,505
- Corporate Borrowing	25,907	5,041	384	31,332
- Dept Borrowing	11,222	252	0	11,474
Total	**121,652**	**37,775**	**13,884**	**173,311**

3.38 Attached at Appendix G is a full list of both the existing capital programme and these new capital schemes, including details of their sources of funding.

Revenue Implications of the Capital Programme

3.39 The cost of funding a Capital Programme from 2011/12 to 2014/15 for this authority is twofold. Firstly, the revenue budget will have to bear the revenue costs of borrowing. Historically for each £1m borrowed, the cost to the Council has been around £80,000 per annum in financing costs. The Government has increased by 1% the interest charged by the Public Works Loans Board (PWLB) such that the average financing costs will be 9% per annum. Secondly, the revenue budget must bear the ongoing revenue costs of running and maintaining the assets that are created. All of these types of revenue implications have been factored into the revenue budget and Medium Term Financial Strategy.

4 Revised 2010/11 and New Year 2011/12 Estimates

4.1 The revised 2010/11 budget has been calculated based on the original 2010/11 budget approved by Assembly in February 2010, amended for approvals at Cabinet. Appendix J shows the departmental position for the revised 2010/11 budget. A concurrent report on this Cabinet agenda shows the projected outturn position against this revised budget.

4.2 The 2011/12 budget has been set, again starting from the 2010/11 original budget, adjusted for previously agreed decisions of the Cabinet/Assembly approved in last years MTFS, and with further changes to reflect

- the change in Government funding;
- new statutory and economic pressures;
- supporting the Councils proposed Capital investment programme, and
- savings options for 2011/12

4.3 The departmental and corporate estimates are shown in Appendices J and K. The movement from the 2010/11 budget to that proposed for 2011/12 is set out in Appendix L.

4.4 The savings options reflect the requirement to reduce spend. The focus of these savings has been on reducing inefficiencies and cutting back office costs in order to protect front line services.

5 Council Tax 2011/12

5.1 The proposed LBBD element of the Council Tax for 2011/12 is for it to remain at the current level (for Band D £1,016.40). This will maintain the Council Tax at the same level for the third year in succession.

5.2 The Mayor of London is also proposing a freeze in the GLA precept for 2011/12 (for Band D £309.42).

5.3 As part of the CSR the Government has provided a specific one-off grant to support those authorities who freeze their Council Tax in 2011/12. The additional funding from Government is £1.3m and has been included in the MTFS model above.

6 Financial Issues

6.1 This report deals with financial issues throughout.

7 Legal Issues

7.1 Local authorities are required by law to set a balanced budget for each financial year. In particular section 32 Local Government Finance Act 1992 the local authority must calculate the aggregate of—

(a) the expenditure which the authority estimates it will incur in the year in performing its functions and will charge to a revenue account for the year;

(b) such allowance as the authority estimates will be appropriate for contingencies in relation to expenditure to be charged to a revenue account for the year;

(c) the financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure;

(d) such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for; and

(e) any amounts which it estimates will be transferred from its general fund to its collection fund pursuant to a direction under subsection (5) of section 98 of the Local Government Finance Act 1988 Act and charged to a revenue account for the year, other than (in the case of an authority in England) any amounts which it estimates will be so transferred pursuant to a direction under that subsection relating to the difference between amounts in respect of community charges credited and charged to a revenue account for any earlier financial year. There are detailed rules in relation to how various headings are calculated.

7.2 The report makes clear that the current budget setting round takes place against a backdrop of significant **reductions in government funding**. In this regard the report and various appendices outlines proposed reductions or changes in services and reductions in staffing. A number of significant legal issues arise and to which members' attention is now drawn:

Public law considerations

7.2.1 Any decisions made impacting on service delivery are subject to public law considerations. The local authority is entitled to vary service provision or its policy in relation thereto but must have regard to a number of considerations in reaching a decision (which itself is open to judicial review in the courts). In particular the council must have regard to:

- any existing contractual obligations covering current service provision. Such contractual obligations where they exist must be fulfilled or varied with agreement of current providers where relevant
- any legitimate expectations that persons already receiving a service (due to be cut) may have to either continue to receive the service or to be consulted directly before the service is withdrawn
- any rights which statute may have conferred on individuals and as a result of which the council may be bound to continue its provision. (An example is the holder of a statement of special educational needs in the education context)
- the impact on different groups affected by any changes to service provision as informed by relevant equality impact assessments
- having due regard to any consultation undertaken

7.2.2 In relation to the impact on different groups it should be noted that the Equality Act 2010 provides that a public authority must in the exercise of its functions have due regard to the need to eliminate discrimination and to advance equality of opportunity between persons who do and those who do not share a relevant 'protected characteristic'. Paragraph 8 sets out the results of the equality impact assessments which have been carried out in relation to the proposals. Members are required to have due regard to the impact on identified groups which may include consideration of alternatives to avoid or mitigate the identified effect. Due regard may also include treating disadvantaged group more favourably than others.

Staffing Reductions

7.2.3 The report at appendix E also identifies across Directorates a number of posts to be lost as part of the plan to meet the savings targets over 2011 – 2012. The appendix list includes the number of vacant posts not to be filled and posts to be made redundant. Given the numbers of proposed redundancies involved members should also be aware of the provisions of Trade Union and Labour Relations (Consolidation) Act 1992 which in this context provides that where an employer is proposing to dismiss as redundant 20 or more employees at one establishment within a period of 90 days or less, the employer shall consult about the dismissals all the representatives (such as trade unions) of persons affected. The consultation must begin in good time and in any event where the employer is proposing to dismiss 100 or more employees at least 90 days and otherwise at least 30 days before the first of the dismissals takes effect. European case law has also confirmed that collective consultation (with trade unions) must be concluded before notices of redundancy are issued although there is no prescribed length of time for the collective consultation itself. Given the numbers proposed for redundancy then the 90 day period is engaged. The Council would also need to have individual consultation with affected staff and apply its usual organisational change procedures which includes provision to redeploy staff where possible. The timing of the statutory consultation will inevitably affect how soon savings sought from redundant posts can in fact be realised in 2011 - 2012. The council as employer is required to send background information including the reasons behind proposed redundancies to the unions to inform the consultation. The consultation itself must be about ways of avoiding the dismissals, reducing the numbers of employees to be dismissed and mitigating the consequences of the dismissals. The employer must enter into the consultation with a view to reaching agreement with the appropriate representatives (unions). While the Council is not obliged to agree with any counter proposals emerging from the trade unions in the consultation process it is required to enter into such discussions with an open mind and willingness to negotiate.

7.2.4 Members will also wish to note efforts being made to deliver value for money and to realise efficiencies in service delivery as well as the feedback from consultation with relevant stakeholders which informed the budget setting exercise.

Council Tax

7.3 The report also sets out proposed council tax for 2010/11. Section 30 Local Government Finance Act 1992 obliges local authorities to set the council tax for the forthcoming year. The amount of council tax is to be calculated by taking the aggregate of:

(a) the amount which has been calculated for each category of dwelling by the authority as necessary for its own purposes (including any precept by a minor precepting authority) and
(b) the amount which has been calculated for each category of dwelling by the major precepting authority as necessary for its own purposes, which has been issued to the billing authority

The council tax must be set before 11th March in the year preceding the one it relates to.

Capital program

7.4 No comments are made in relation to the proposed changes to the capital program

8 Other Implications

8.1 Risk Management – in setting the overall budget, consideration has been given all Council services and corporate budgets and reserves. The process of identifying and validating budget options has involved the identification and mitigation of relevant risks, which helps to inform and support the mitigation already planned and in place in respect of Corporate Risk 07.

8.2 Contractual Issues – there are no direct contractual implications arising from this report. The budget options recommended as part of this report may involve new or amended contracts and, where appropriate, further reports will be brought to Cabinet for approval.

8.3 Staffing Issues – budget options recommended as part of this report may involve staffing changes. The Council will follow the appropriate agreed HR protocols and processes in implementing these changes.

8.4 Customer Impact – the proposed budget and budget options have been considered with customers and residents in mind. The freezing of Council Tax at last years level is designed to minimise our financial impact on our residents. The savings programme has been subject to an assessment of its equalities and diversity implications and consideration of the extent to which any adverse impacts on all customers and in particular equality groups will be minimised. This is included as Appendix I. Where potential negative impacts have been identified, in most cases these will be mitigated. However, an analysis of the cumulative impacts of the proposals has identified that, taken together, some of them have the potential to disproportionately impact on older and disabled people, and the 14-19 age group:

- Older people and disabled are more likely to have restricted income, therefore savings implemented by additional charging to users e.g. meals on wheels, equipment etc will hit these groups harder.

- The 14-19 age group face a large number of reductions in funding / services that directly affect them. Reductions in youth funding also means a lot of preventative work could stop, which may have impacts in other areas in the future. In addition, a number of duties that LBBD previously carried out which were grant funded have had the grant now paid directly to schools. As this grant is not ring-fenced the schools can choose what this money is used for, we therefore need to stress the importance of continuing with the work. Extensive consultation with schools is needed to clarify the approach they will be taking and identify the actual impacts of shortfalls. Some savings also relate to charging schools for services that they were not previously charged for - again consultation is vital.

A large number of the savings related to back office, management and support services, as it was important to protect front line services as much as possible. However future years savings will not be able to hit these areas further without having an impact, as front line staff will need to absorb work previously carried out by support staff.

There are some positive impacts from the changes. For example the personalisation of transport could have positive impact on children with special educational needs.

8.5 Safeguarding Children – there are no direct property/asset issues arising from this report.

8.6 Health Issues – there are no direct property/asset issues arising from this report.

8.7 Crime and Disorder Issues – there are no direct property/asset issues arising from this report.

8.8 Property / Asset Issues – there are no direct property/asset issues arising from this report. The implementation of the budget options may require changes to asset holdings or the use of assets and, where required, further reports will be brought to Cabinet for approval.

9 Options appraisal

9.1 The budget process has considered various options around savings, pressures and invest to save and the final proposed options are included within this report.

10 Background Papers Used in the Preparation of the Report:

Select Committees reports and minutes (Oct-Nov 2010)
Cabinet Reports
Oracle Reports

11 List of appendices:

Appendix A – Vision
Appendix Bi – Policy House
Appendix Bii – Performance House
Appendix C – MTFS Document
Appendix D – MTFS Detail
Appendix E – Summary of Savings Options
Appendix F – Analysis of grant movements
Appendix G – 5 Year Capital Programme 2010/11 to 2014/15
Appendix H – Prudential Indicators
Appendix I – Global Equalities Impact Assessment of Savings Options
Appendix J – Summary of Revenue Budget by Department 2010/11 and 2011/12
Appendix K – Summary of Revenue Budget – Analysis of Gross Expenditure and Income
Appendix L – Calculation of Proposed Council Tax 2011/12
Appendix M – Statutory Budgetary Determination 2011/12