

# CABINET

19 DECEMBER 2012

<b>Title:</b> Budget Strategy 2013/14	
<b>Report of the Cabinet Member for Finance</b>	
Open Report	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
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<b>Accountable Divisional Director:</b> Jonathan Bunt, Divisional Director of Finance	
<b>Accountable Director:</b> Graham Farrant, Chief Executive	
<b>Summary:</b>  This report focuses on: <ul style="list-style-type: none"><li>• A summary of the national funding position and the indicative shadow settlement;</li><li>• The Medium Term Financial Strategy and a two year summary level financial model for the Council;</li><li>• The proposed and previously agreed savings for 2013/14 through to 2014/15 totalling £24.4m;</li><li>• The current net budget gap for 2014/15 of £5.2m, although this may change significantly when the Government announces the settlement;</li><li>• The outcomes of the budget consultation process with recommendations being made for reconsideration of savings and the commensurate impacts;</li><li>• The Equalities Impact Assessments of the budget savings proposals.</li></ul> This report acts as a pre-cursor to the main Budget Framework and Council Tax Setting report to be presented to Cabinet and Assembly in February 2013.  Members are requested to note that at the time of writing this report, the final funding settlements are yet to be confirmed by the relevant Government departments. Figures stated within this report may therefore change.	
<b>Recommendation(s)</b>  The Cabinet is recommended to: <ul style="list-style-type: none"><li>(i) Note the current projected financial position for the Council for 2013/14 and beyond as set out in this report.</li><li>(ii) Consider the responses to the budget consultation process via:<ul style="list-style-type: none"><li>a) the Select Committees – See paragraph 5.4;</li></ul></li></ul>	

- b) public consultation through Leader's Question Time, the Council's website, Facebook and Twitter – See paragraph 5.5.
- (iii) Consider trade union and staff responses to the Council's savings proposals – See paragraph 5.6.
- (iv) Approve the saving options for 2013/14 and 2014/15 set out in Appendix B.
- (v) In light of the above and having regard to the Equalities Impact Assessments contained in Appendix D, consider and approve the savings proposals as listed in Appendix B to the report for implementation with effect from 1 April 2013.
- (vi) Note that the following savings options have been withdrawn or reduced as a result of representations made via the budget consultation exercise:
- ACS/SAV/07 – Voluntary Sector Grant;
  - ACS/SAV/22 – Broadway Theatre;
  - CEX/SAV/06 – Democratic services – Scrutiny Officer;
  - ACS/SAV/08 – Sheltered Housing;
  - ACS/SAV/10(f) – Employment Support Mental Health;
  - FIN&RES/SAV/21 – Economic Development Team;
  - H&E/SAV/19 – Green waste.
- (vii) Note that the following savings option has been deferred from 2013/14 into 2014/15 pending further consideration:
- ACS/SAV/26 – ASB Team
- (viii) Note that the following savings options have been brought forward pending further consideration:
- FIN&RES/SAV/12 – Internal Audit – Removal of Special Projects Budget
- (ix) Note that officers will issue notice in January to affected staff who are at risk of redundancy as a result of the savings proposals in Appendix B.

#### **Reason(s)**

The setting of a robust and balanced budget for 2013/14 will enable the Council to provide and deliver required services within its overall business and financial planning framework, and to meet its policy priority of 'A Well Run Organisation'.

## **1.0 Introduction and Background**

- 1.1 In October 2010, the Government announced significant funding reductions to local government funding over the four-years of the Comprehensive Spending Review (CSR) period.
- 1.2 Nationally, HM Treasury announced reductions in Local Government funding of 28% over the 4 year CSR period, and local authority savings were front-loaded by the Government in years one and two.

- 1.3 In preparation of the CSR 2010, the Council made emergency in-year savings of £7.8m during 2010/11 following the Government's emergency budget in June 2010 (on top of savings already approved for that year), £20.3m savings in 2011/12 and £19.0m in 2012/13.
- 1.4 The purpose of this report is to set out the high level revenue budgets proposed for 2013/14 and the savings required for 2013/14 to 2014/15, within the context of the current CSR period.
- 1.5 This report focuses on the Council's General Fund which is one of the main accounts that the Council manages. The General Fund is used to provide services, some of which are defined in statute and some of which have been developed to meet community needs. Examples of services funded by the General Fund include children's services, services to vulnerable adults, library services, leisure services, environmental services and many others. The General Fund pays for all of the Council's strategic and support services, and each of the Council's other accounts will receive the benefits of these services and, as a result, are recharged the cost of these services. This recharging is an accounting principle and all private and public organisations will operate a level of recharging across their accounts.
- 1.6 In addition to money spent from the General Fund, the Council is responsible for other accounts which are ring-fenced for specific purposes like the Housing Revenue Account (HRA) and the Capital Fund, which means that the money held within these accounts, can only be spent on the specific area that the fund is set up for. Despite the ring-fenced nature of these accounts, there is an interrelationship between these accounts and the General Fund. Shown below is a short explanation about each of the Council's funds and what they are used for:
- 1.6.1 **Dedicated Schools Grant (DSG)** – The Council receives an allocation from the Department for Education (DfE) based on the number of pupils educated in schools across the borough and those 3 and 4 years olds accessing their entitlement to nursery education (15 hours per week). The funding received must be allocated directly to schools via the schools funding formula. The Council retains an allowable element of the total DSG allocation to fund services such as support for children with special educational needs, alternative school provision and the admissions service. Financial year 2013/14 see's the introduction of the DfE's Schools Funding Reforms. The DSG will be received in 3 block's:
- Schools Block – based on October pupil count data;
  - Early Years Block – based initially on October pupil count data and will be updated after the January Census;
  - High Needs Block – fixed at S251 2012/13 budget.
- The allocation of the Schools Block will be through a new funding formula which is subject to Cabinet approval on 19 December. From 1<sup>st</sup> April the funding for the statutory 2 year old offer, 15 hours of free nursery education entitlement, will transfer from the mainstreamed Early Intervention Grant to the DSG.
- 1.6.2 **Housing Revenue Account (HRA)** – This account is dedicated to the provision of Council housing alone. The income for this account is mainly from rents payable by tenants and expenditure is on maintenance of housing units and the management of Council housing. The HRA is a ring-fenced account and, although it does pay for

specific General Fund services provided to it, it cannot be used to subsidise the General Fund.

- 1.6.3 **Pension Fund** – The Pension Fund is operated as a funded defined benefit scheme which provides for the payment of benefits to former employees of the London Borough of Barking and Dagenham and those bodies admitted to the Fund, referred to as “members”. The benefits include not only retirement pensions, but also widows’ pensions, death grants and lump sum payments in certain circumstances. The Fund is financed by contributions from members, employers and from interest and dividends on the fund’s investments. This fund is also managed as a completely separate account and does not interact with the Councils other accounts.
- 1.6.4 **Capital Fund** – This is defined as expenditure on the acquisition or enhancement of assets that are considered to be of benefit to the Authority over a period of more than one year, e.g. buildings and land. The Council’s Capital Programme details what expenditure the Council is planning to incur in relation to capital. Other examples include payments of grants and financial assistance to third parties and expenditure that is classified as capital following a Ministerial direction e.g. capitalised redundancy costs.

## 2.0 National Context

- 2.1 The Comprehensive Spending Review 2011/12 to 2014/15, announced in October 2010, covered a period of 4 years. However, the Local Government Funding Settlement was only announced for the first two years of the Spending Review period – 2011/12 and 2012/13. Indicative funding figures for 2013/14 and 2014/15 were released by the Department of Communities and Local Government in October (see Table 1 below).
- 2.2 The Chancellor’s Autumn Statement is not due until 5 December 2012, with the Local Government Finance Statement expected on 19 December 2012. This report is based on indications given in October 2012 that the Local Government Finance Statement will reduce the Council’s formula grant by £6.5m in 2013/14. However there is a risk that the actual grant awarded could be significantly less.
- 2.3 The main changes announced in the CSR were:
- Reduction in the number of ring-fenced grants, and their deletion or merger into the Formula Grant;
  - Cessation of the Area Based Grant (ABG);
  - Creation of the Early Intervention Grant and Learning Disability Grant;
  - Creation of a NHS Social Care grant;
  - Council Tax freeze grant – a grant awarded for Councils that freeze Council Tax, equivalent to a 1% increase for 2013/14 and this grant will recur in 2014/15;
  - Reductions in the proportion of grant allocated on a per capita basis and increases in the proportion allocated on a needs basis.
- 2.4 At this stage, there is no indication of what the funding levels will be for years following the current Spending Review period. The estimated funding reduction in the Medium Term Financial Strategy assumes that the funding reductions will continue. Whilst details of the next Comprehensive Spending Review have not

been released, the Government is struggling to deal with the continuing debt crisis in the UK and growth has been slow. Given the economic outlook, it is unlikely that the Government will be able to improve settlements and it is highly likely that more cuts to the public sector will be required to bring UK debt payments back into line.

- 2.5 Since October 2010, a number of policy proposals have been announced (summarised below) which are likely to create additional pressures for local authorities. Although the financial impact cannot be fully quantified at this stage, it is important that we are able to understand the impacts of any forecasts so that risks can be mitigated as much as possible through medium term financial planning. In the paragraphs below we have highlighted each of the areas of Government policy change and their potential impacts on the Council's financial position.

**Table 1: Grant changes (2012/13 to 2014/15).** This illustrates the level of funding reductions indicated by the Department for Communities and Local Government for the last two years of the CSR.

Grant	2012/13 £'m	2013/14 £'m Subject to Confirmation	2014/15 £'m Estimated
Formula Grant	98.5	96.3	87.4
Specific Grants	20.8	17.0	16.6
CT Freeze Grants	2.7	1.7	1.7
New Homes Bonus	1.5	2.0	2.5
<b>Total Grant Funding</b>	<b>123.5</b>	<b>117.0</b>	<b>108.2</b>
Change £'m		(6.5)	(8.8)
Change % from prior year		(6.1%)	(7.4%)

NB – This excludes the Public Health Grant transferring from the NHS to Local Government

### 3.0 New Pressures for 2013/14

#### 3.1 Public Sector Pay

- 3.1.1 In the Autumn budget statement on 29 November 2011, the Chancellor announced a 1% cap on public sector pay when the current pay freeze period ends in 2013/14. Although the Chancellor has no authority to enforce such an announcement, if implemented by local government employers, the effect of this would result in a pressure of approximately £1m for the Council's General Fund based on the current pay bill in both 2013/14 and 2014/15. The Trade Unions have put in a claim for a substantial pay award to reflect levels of inflation and the impact on the real income levels of their members. The employer's side have indicated that they may consider a pay award, with a focus particularly on lower-paid staff, in return for changes to terms and conditions. It is not year clear how those negotiations might conclude.

#### 3.2 Council Tax Localisation

- 3.2.1 Council Tax Benefit (CTB) is currently administered by local authorities on behalf of Central Government. The Government currently covers the cost by giving Authorities 'subsidy' based on the overall amount paid out. However this will now become localised, with local authorities taking over full ownership.

- 3.2.2 The Council must put in place a new Council Tax Support Scheme by 31<sup>st</sup> January 2013 and it will no longer merely recover its costs from Government but instead will receive a fixed grant, equal to 90% of the previous years spend. LBBB currently receives £15.776m in subsidy (excluding the GLA), but the new grant will only be £13.789m – a pressure of £1.897 million, almost 12%. This also acts to reduce the Council Tax base by £13.789m.
- 3.2.3 The Council's council tax and housing benefit administration grant has been reduced by Central Government by £104k in 2013/14. The administration grant is currently £2.0m but CLG announced in November that it will be cut to £1.9m.

### 3.3 **Business Rates Retention Scheme**

- 3.3.1 Business rates are currently collected locally and paid over to central government before being redistributed nationally to local authorities based on a needs formula grant. As from 1<sup>st</sup> April 2013, the business rate system will be localised, meaning we will not merely be collecting money on behalf on the Government. Instead there will be a direct link between how much the Authority collects in rates and its own income.
- 3.3.2 Local authorities will be allocated a business rate income base-line using historic billing levels and collection performance. Authorities will be able to keep a portion of any income generated in excess of this and conversely will have to bear any loss in income below this as well (up to its safety net). Therefore authorities will have the risk and reward of new business within their control, and the incentive to provide conditions where businesses can start up and flourish. Thus a real incentive for local economic development has been localised from Central Government to local authorities. The business rates taxation system will not be changed, only the way in which tax revenues are distributed, therefore there will not be any impact on the amounts an individual business would pay. Rate setting powers would remain under the control of central government and the revaluation process would be unchanged.
- 3.3.3 There will be a central and local share to the business rates collected above the baseline level, as well as a GLA element. The NNDR collected will first be split 50 / 50 with the DCLG, and the Borough's 50%, will then further be split 60 / 40 with the GLA, thus leaving the Council with an overall 30% of the total amount. This means that any growth or losses will also be shared in the same proportions (i.e. for every £100 lost or gained, £50 goes to the DCLG, we keep £30, and £20 goes to the GLA).

### 3.4 **Universal Credit**

- 3.4.1 Universal credit is a new single payment for people that are looking for work or who are on a low income. It is a combination of all the separate current social security benefits: job seekers allowance, employment and support allowance, income support, tax credits, and housing benefit, but excluding Council Tax benefit. Claimants will receive just one monthly payment, which paid directly to their bank account in the same way as monthly salary.
- 3.4.2 One significant issue for LBBB is that this includes support for housing costs. Currently Housing Benefit is paid from the DWP and is paid to the Authority. Any benefits that are still due to claimants and then paid net of their rent, therefore there

are not cash collection issues. However under universal credit the payments will go direct to the claimants, who in turn will be responsible for paying the authority as the landlord. Therefore the Authority will now be collecting money from current housing benefit claimants for the first time and will need to consider the impact on collection rates and provision for bad debt. This could be a significant pressure for the HRA on housing rent and the General Fund on temporary accommodation income.

- 3.4.3 The reforms also includes introducing a £500 per week cap on housing benefit, which could see a movement of claimants from inner London, i.e. from more expensive properties that exceed the cap, outwards towards LBBB.

### **3.5 Community Infrastructure Levy (CIL)**

3.5.1 The CIL is a new charge which local authorities are empowered, but not required, to levy on most types of new development in their areas. It will largely replace current Section 106 (S106) agreements with developers S106 will still continue to exist but to a much lesser extent and only in very specific areas. The CIL is charged in respect of the net additional floor space for all development within the Borough, excluding affordable housing. There are a range of set charges according to the type of development (including retail, leisure, health and education), which will reflect the desirability for each type, and ensure that desired new development is not deterred. This year the Authority has been consulting on its proposed charges, which have been agreed by Cabinet, and it is anticipated that the schemes will be implemented from the 1<sup>st</sup> April 2013 though the Government may still delay the introduction. Unlike S106, CIL will not be negotiated on a development by development basis, which will make the process easier and more transparent. The CIL is also more flexible in terms of use whereas S106 receipts often had very strict contractual conditions over their use, CIL instead will just be added to the Councils overall funding for capital infrastructure.

3.5.2 In addition, from the 1<sup>st</sup> April 2012 the Council has been collecting a mayoral CIL, which is collected and passed on to the Mayor of London. We have been required to charge developers a standard rate of £20 per square metre of new development (the lowest of three bands across London). The Mayoral CIL was specifically set up to fund the Crossrail project, and once Crossrail is completed (by c2019), the charges will cease, at which time we could stop charging developers or subsume the charge into our own charges.

### **3.6 Community Right to Buy**

3.6.1 The Localism Act 2011 contained provisions for assets whose main use furthers the social wellbeing or social interests of the local community (assets of community value). The provision relates to public and private assets and could be village shops, pubs, community centres, libraries and allotments.

3.6.2 The provisions give local groups a right to nominate a building or land for listing by the Council as an asset of community value. When a listed asset is to be sold, local community groups will in many cases have a fairer chance to make a bid to buy it on the open market. Local groups will be given 6 months in which to prepare their offer before the asset is allowed to be sold. However it is entirely down to the seller as to whom they sell their asset to.

3.6.3 The specific requirements of the Act for the Council are:

- Maintain a list of nominated assets;
- Inform owners and other interested parties that an asset has been listed;
- Enter on the local land charges register the fact that an asset has been listed; and
- In the case of registered land, apply for a restriction on the Land register.

### 3.7 **Community Right to Challenge**

3.7.1 The Localism Act 2011 introduced the 'Community Right to Challenge', which grants communities the power to challenge to take over local services that they think they can run differently and better. To make use of the Right to Challenge, you must be a 'relevant body', i.e. a voluntary / community group, a parish councils, or a group of two or more staff from a 'relevant authority' (local councils and fire and rescue authorities). The process involves four steps: (1) an expression of interest; (2) the Authority considers the proposal; (3) the Authority holds a procurement exercise; and (4), if successful, the community group would take over running of the service.

### 3.8 **Public Health Grant**

3.8.1 From 2013/14 local authorities will take responsibility for delivery of local public health services. This will cover a number of key areas including Health Protection and preventative services, sexual health and health promotion including areas of public health relating to children and adults. The majority of these services will be commissioned and contractual arrangements from the B&D PCT and regional NHS bodies will pass over to the Council.

3.8.2 Funding will be provided through a ring-fenced Public Health grant from the Department of Health. Indicative allocations for LBBD are £11m and confirmations are expected by December 2012.

### 3.9 **Council Tax Referendums / Council Tax Freeze Grant**

3.9.1 The Government has announced a Council Tax freeze grant for the third consecutive year and it will be paid for 2013/14 and will recur in 2014/15. However this time the grant will only be for 1% rather than the 2.5% offered in previous years. For LBBD, this will equate to c£400k per year. As described under the Council Tax Localisation section above (3.2), the Council Tax base on which any percentage increase could be applied will decrease by £13.789 million in respect of CTB claimants as from 1<sup>st</sup> April 2013, whom we will now receive a fixed grant for now instead. Therefore any given increase in Council Tax (or equivalent freeze grant) will generate less cash than it would have done previously, prior to council tax localisation.

3.9.2 The Government has also imposed a new threshold for Council Tax rises of 2% or greater. If councils want to increase council tax by 2% or more they will have to hold and win a local referendum. In previous years the threshold for triggering a referendum was 3.5%.



3.9.3 This report assumes Council Tax will be frozen in 2013/14 and therefore the Council Tax Freeze Grant will be awarded. The Chief Finance Officer has recommended that Council Tax should be increased in 2013/14 as this would generate greater income and ensure it is built into the Council Tax base for future years.

### 3.10 **Carbon Commitment Reduction**

3.10.1 Each year's tonnage charges are notified to us retrospectively in the July following the financial year in question. The charge for 2011/12 was £12 per tonne (as confirmed to us in July 2012) and we are as of yet to receive notification of the charges for 2012/13 (or 2013/14). It is highly likely that prices for this year and next will increase, although there are no firm indications, early estimates are that the charges could increase by £2 per year for both 2012/13 and 2013/14. This would lead to an overall increase in costs of approximately £50k for 2013/14. However, it is anticipated that this can be contained within the existing budget.

### 3.11 **Concessionary Fares**

3.11.1 The Freedom Pass scheme caters for all residents at state pension age and provides for free access to public transport. Although some council's also offer a discretionary pass to those with a disability, Barking and Dagenham does not. This service is effectively delivered on behalf of government, from whom we receive a fixed payment for the year therefore the budget cannot be considered as an area of potential savings to the authority. The Council's One Stop Shops are currently processing over 1,000 applications per year, and there are almost 24,000 passes out on issue. In 2011/12 the cost to LBBB was £5.116 million and in 2012/13 the cost will be £5.380 million. Over the next two years the draft proposals are to reduce LBBB's contribution to the scheme by £157k to £5.223 million (the profiling of this reduction over the two years is still under consultation).

### 3.12 **East London Waste Authority (ELWA)**

3.12.1 Last year ELWA froze its levy by the use of one off reserves and a one off windfall. However this delayed the levy increase caused by rises in landfill tax and more waste requiring disposal.

3.12.2 ELWA are seeking to reduce costs by negotiating with their contractor Shanks who account for 95% of their expenditure. However, initial indications are that the levy will need to increase by 25% over the next three years.

3.12.3 Through the use of reserves, ELWA are planning to smooth the increase over the three years and this would result in an increased cost to the Council of £700k each year from 2013/14 to 2015/16.

### 3.13 **HRA Self Financing**

3.13.1 The new HRA Self Financing regime came into effect from April 2012 and replaced the previous, national subsidy based system. The Localism Act enabled the Council to buy itself out of the subsidy system in return for a one-off payment of £265.9m. The settlement figure was calculated based on expected future net revenue streams generated from the current housing stock levels (less planned demolitions) over a 30-year period.

3.13.2 Under the old subsidy system LBBB was required to surrender the net surplus generated from its housing stock under a prescribed formula and in the final year of subsidy this payment amounted to around £19m. Under the new self-financing regime the Council is now able to retain all revenue surpluses generated and has the freedom to manage its housing stock resources in line with local circumstances and decisions. This gives LBBB greater certainty and control over its resources and allows for longer-term investment decisions which the previous annual subsidy determination did not.

3.13.3 To support this longer term view a business plan has been formulated which shows the resources generated over the first ten years of the new regime and how those resources are applied to investment strategies. This business plan is updated and presented annually as part of the rent setting process.

### **3.14 Temporary Accommodation**

3.14.1 The Housing General Fund is facing significant budgetary pressures in relation to its temporary accommodation budgets. The Council has a duty to house those applicants who meet the criteria as being statutorily homeless and there has been a significant increase in the number of applicants who meet this criteria. To discharge this duty the Council has historically leased private sector dwellings for homeless placements but the supply of these dwellings has not increased in line with demand. The shortage of supply has been partly caused by the implementation of a lower housing benefit cap which has led to a migration of inner London residents to outer London Boroughs where the market rent of an equivalent property is below this lower cap.

3.14.2 This increased demand and shortage of suitable private sector dwellings has resulted in the need to use expensive bed and breakfast accommodation which does not attract full housing benefit. Action plans are in place to help mitigate this significant and increasing pressure.

3.14.3 Going forward, the introduction of Universal Credit, under which housing benefit will be paid as part of an overall benefits package direct to the individual rather than directly to the Council as at present, is likely to have a significant impact on LBBB's rent collection and reimbursement of costs incurred in relation to temporary accommodation.

### **3.15 Investment in the Capital Programme**

3.15.1 The Council undertakes significant investment in its capital programme to ensure the needs of the local community are met. Some of this investment is funded from borrowing which needs to be repaid over future years from the Council's revenue budget. The Council is seeking to reduce the level of borrowing through use of grants and generating capital receipts.

3.15.2 For 2013/14 the amount of borrowing budgeted to be repaid from revenue is £8.7m with an increase of £1.2m expected in 2014/15. Increases in the repayment charges need to be offset from reductions in other areas of expenditure.

### **3.16 Estate Renewal**

3.16.1 LBBD has an ambitious estate renewal programme, which entails the decanting, demolition, and rebuilding of several estates across the borough. The Goresbrook estate is the first to receive a planning application, and entails the demolition of 282 homes and the rebuild of 149. The net loss of 133 homes will have financial implications, in terms of a reduced Council Tax base (£135k per year, at an average band D). However as 98 of the 149 homes to be built will be 'affordable homes' the Authority would get an affordable homes bonus, of £2,100 per home.

### **3.17 New Homes Bonus**

3.17.1 The Council receives a New Homes Bonus (NHB) in respect of each net addition to the housing stock, which is equal to an average Band D council property with an additional amount of £2,100 for each gross affordable home. Each NHB payment is paid annually for six years – therefore our total NHB payments will accumulate for the first six years at which point they will plateau. It is an un-ringfenced grant, designed to mitigate the strain of an increased population that growth brings. The DCLG has set aside almost £2 billion in this CSR period to fund this, but beyond this, it will be funded from formula grant. Therefore for the Council to maintain its level of NHB funding (after year 6), it would need to sustain the same level of new home building; and we would only receive increases thereafter if completions across the rolling six year period were higher than the previous six-year period.

3.17.2 The Council's NHB for 2012/13 is £1,468,885 and based on the number of new homes built and brought back into use, this is projected to increase to £2,053,884 in 2013/14.

### **3.18 Academy Top Slicing**

3.18.1 The Local Authority Central Spend Equivalent Grant (LACSEG) is paid to Academies to cover the cost of the services and functions that local authorities provide to maintained schools without charge but which academies must secure for themselves. Prior to 2011-12, local authorities' funding for these services within formula grant did not take account of the fact, that where present, academies had taken over some of these responsibilities and have been funded separately for them.

3.18.2 In order to address the growing extent of double funding in the system, Ministers decided, in the context of the Spending Review, that a transfer should be made from formula grant to the Department for Education in respect of the central education functions included in Local Authority Central Spend Equivalent Grant. It was considered that continued double funding was indefensible in the current public sector financial climate.

3.18.3 The amount of grant to be top sliced from funding nationally in 2013/14 and 2014/15 is £1.2 billion.

### **3.19 Early Intervention Grant**

3.19.1 The Early Intervention Grant will be reduced by £534 million in 2013/14 and £760 million in 2014/15 nationally, for free education for two year olds, as announced by the Chancellor in his Spending Review and Autumn Statement.

3.19.2 £150 million will also be excluded in 2013/14 and 2014/15 and retained centrally for future use in funding early intervention and children's services. This has meant Barking and Dagenham's Early Intervention Grant will fall from £13.9 million in 2012/13 to £10.2 million in 2013/14 and it is estimated to fall to £9.6 million in 2014/15.

### 3.20 Population growth

3.20.1 As part of the overall context for setting the Council's budget, the significant population growth in the last 10 years should be noted. The key factors from the Census 2011 show that:

- The population of the borough has increased by 22,000 to 185,900 between the 2001 and 2011 Census. This is a 13.4% increase in the boroughs population.
- The Borough has the highest population percentage of those aged 0 to 19 at 31% in England and Wales.
- There has been almost a 50% growth in 0-4 year olds. This is the highest growth for this age group of any local authority in England and Wales.
- The growth in population has outstripped the increase in households causing a rise in the average number of occupants per household from 2.42 to 2.65 occupants per dwelling. This is one of the highest occupancy rates in London.

3.20.2 Population projections show an estimated increase in population of a further 20% between 2010 and 2020, continuing to put pressure on Council services such as school places and housing.

## 4.0 Budget Gap for 2013/14

4.1 In February 2012, Assembly approved savings for 2013/14 totalling £11.0m, which left a remaining budget gap of £8.4m.

4.2 Since February 2012, a number of service pressures have been identified as well as areas requiring essential investment to ensure that the budget is robust in 2013/14 and future years.

4.3 In order to reduce the impact of the budget gap on front line service departments, several adjustments have been made to budgets (see 4.6 below).

4.4 The service pressures and central adjustments have been summarised in Table 2 below, and further information has been provided in respect of each of these adjustments.

### 4.5 Service Pressures

4.5.1 **Shortfall of savings** – This relates to previously agreed savings proposals within Finance & Resources and the Chief Executive's Department for 2013/14 (£854k) and Children's Services for 2014/15 (£50k) that have since been deemed unachievable.

4.5.2 **Temporary Accommodation** – As specified in 3.16 above, there are pressures in this area caused by the significant increase in the number of applicants and the

resulting need to use expensive 'Bed & Breakfast' accommodation to meet the demand.

4.5.3 **Welfare Reform** – The Localism Act 2011 introduced funding changes to Council Tax benefits. These funding changes had a financial impact on the Council.

4.5.4 **Council Tax Collection Officers** – Additional Council Tax Collection Officers are required due to the increased demands of the changes to Council Tax benefit and wider welfare reforms and to further increase collection rates.

#### 4.6 **Adjustments to Budgets**

4.6.1 **Reduction in inflation provision** – an increase in non-pay inflation was originally been built into the 2013/14 and 2014/15 budgets. This provision is proposed to be removed and any inflationary pressures will have to be managed within service budgets.

4.6.2 **Remove part of corporate contingency** – It is felt a reduction in contingency could be achieved and still allow sufficient flexibilities within the remaining budget should the need arise.

4.6.3 **Reduction in capital funding provision** – Through robust management of the capital programme the need to borrow to fund capital projects and the amount needed to repay loans funding capital expenditure has been reduced.

4.6.4 **Impact of Council Tax Support Scheme** – When Council Tax localisation was announced by central government a £2.0m pressure was built into the 2013/14 budget for this. As more details of the localisation are released and the Council's Council Tax Support Scheme has been consulted on the financial implications have become clearer.

4.6.5 **Bad Debt Provision for Council Tax** – As part of the Council Tax localisation, the authority will now be collecting monies from some residents for the first time increasing the risk of non collection. Therefore an additional provision is being built in to cover for an element of bad debt.

4.6.6 **Increase in ELWA levy** – The East London Waste Authority (ELWA) is facing significant upward pressures in its costs that it can no longer contain within its existing levy. Early estimates of the levy increase were released in October 2012.

4.6.7 **Estate Renewal borrowing** – The estates renewal capital projects are funded through the HRA. Therefore the funding set aside in the General Fund will not be required.

4.6.8 **Pension Fund actuarial review** – The Pension Fund's actuaries are anticipating the Council will need to increase its contribution to the Pension Fund to ensure there are sufficient resources available to meet the future liabilities.

4.6.9 **Review of Leisure Services in Barking** – Following a review of the funding of leisure services capital schemes it was identified that the level of borrowing required to fund these schemes could be reduced.

- 4.6.10 **Council Tax Freeze Grant 2013/14** – On 8 October 2012 CLG announced that an additional Council Tax freeze grant would be awarded. The grant will be the equivalent of raising 2012/13 council tax by 1% and will be available in 2013/14 and 2014/15 for all local authorities who freeze their Council Tax in 2013/14.
- 4.6.11 **Council Tax exemptions changes** – The Localism Act gave Local Authorities the power to change their Council Tax exception policies. By amending the existing policy the Council will generate increased Council Tax.
- 4.6.12 **Weekly Collection Grant** – The Department for Communities and Local Government set aside £250 million to help Local Councils maintain a weekly waste collection service. To access the money Councils had to submit bids and in October 2012 the successful bidders were announced of which the Council was one.
- 4.6.13 **Temporary Accommodation bad debt provision** – Due to the introduction by the Government of the Universal Credit system rental payments for temporary accommodation will be made by the claimant rather than directly from Government. This is expected to result in the need an increased risk to maintaining collection rates.

**Table 2 - Changes to the MTFFS since February 2012 Assembly**

Medium Term Financial Strategy Pressures and Adjustments	2013/14 £'000	2014/15 £'000
<b>Approved MTFFS Budget Gap (February 2012 Assembly)</b>	<b>8,380</b>	<b>15,311</b>
Pressures identified since Assembly		
Shortfall in 2013/14 Savings (4.5.1)	854	50
Housing People in Temporary Accommodation (4.5.2)	500	250
Welfare Reform (4.5.3)	300	
Reduction in Council Tax Collection Officers (4.5.4)	200	
<b>Total Service Pressures</b>	<b>1,854</b>	<b>300</b>
Adjustments		
<u>Initial Adjustments (as previously reported)</u>		
Reduction in inflation budget (4.6.1)	(1,000)	(1,000)
Reduction in contingency budget (4.6.2)	(1,000)	
Reduce capital funding provision (4.6.3)	(500)	
Removal of pressure for Council Tax Benefits grant cut (4.6.4)	(2,000)	
Increased bad debt provision for Council Tax (4.6.5)	1,000	
<b>Sub-Total</b>	<b>(3,500)</b>	<b>(1,000)</b>
<u>Further Adjustments</u>		
Reduction in inflation budget (4.6.1)		(1,000)
Reduction in contingency budget (4.6.2)		(1,000)
Reduce capital funding provision (4.6.3)		(500)
Increase in ELWA levy (4.6.6)	700	700
Estate renewal borrowing (4.6.7)	(639)	

Pension Fund actuarial review (4.6.8)		500
Review of Leisure Services in Barking (4.6.9)	(300)	(300)
1% Council Tax freeze grant (4.6.10)	(400)	
Council Tax exemption changes (4.6.11)	(500)	
Weekly Collection Grant (4.6.12)	(281)	
Temporary Accommodation bad debt provision (4.6.13)	500	
<b>Sub-Total</b>	<b>(920)</b>	<b>(1,600)</b>
<b>Total Adjustments</b>	<b>(4,420)</b>	<b>(2,600)</b>
<b>Total Pressures and Adjustments Since February 2012</b>	<b>(2,566)</b>	<b>(2,300)</b>
<b>Net Adjusted MTFS Gap (as at November 2012)</b>	<b>5,814</b>	<b>13,011</b>

4.7 As a result of the service pressures and budget adjustments, additional savings of £5.8m had to be identified for the 2013/14 budget, over and above the £11.0m already agreed at February 2012 Assembly. Therefore, the total saving requirement for 2013/14, when taking into account the £0.9m of savings that have been withdrawn since February 2012, is £15.9m.

4.8 For 2014/15, there was an original budget gap of £15.3m, and savings of £0.7m were identified and agreed at the February Assembly. The above adjustments mean the additional saving required for 2014/15 currently stands at £13.0m. Therefore the total saving required for 2014/15 is £13.7m.

## 5.0 Budget Setting Challenge and Consultation process

5.1 On 23 October, the Council published, on its website, savings proposals for 2013/14 and beyond, and sought comments as part of a budget consultation exercise. The consultation was publicised via:-

- Extensive media work and briefing with the local press, including an in-depth interview with the Deputy Leader;
- A high profile link on the front page of the website;
- Coverage in the News;
- Facebook (repeated postings);
- Twitter (repeated postings);
- Engagement with stakeholders in the borough, including a briefing for the local voluntary sector led by the Chief Executive.

5.2 The consultation also received prominent coverage in the News and the Barking and Dagenham Post.

5.3 Publicity made it clear that residents and other stakeholders could contribute their views through a number of opportunities. These included:-

- Attendance at a series of Select Committee meetings, from 31 October to 19 November;
- Two Question Time events (22 and 29 November, one in Barking and one in Dagenham);
- Emailed comments via the website;

- Facebook;
- Twitter – including for the first time, an online Q&A session with the Deputy Leader on 22 November.

#### 5.4 Select Committees

5.4.1 The Select Committees considered the savings proposals at the following meetings:

- Safer and Stronger Community Select Committee on 31 October 2012;
- Children’s Services Select Committee on 6 November 2012;
- Public Accounts and Audit Select Committee on 7 November 2012;
- Health and Adult Services Select Committee on 14 November 2012;
- Living and Working Select Committee on 19 November 2012.

5.4.2 The Select Committees made comments relating to a number of savings proposals. Most sought additional information, or reassurances as to the way in which the saving would be implemented, but several recommendations were more substantial and include:

- Recommended the reduction in the savings for voluntary sector organisations from £120,000 to £110,000 on the basis that the Council will seek a similar reduction from London Councils;
- That recommendations on internal audit be brought forward to 2013/14, rather than the plans originally laid before Members;
- Recommended reductions in the savings proposals for specialist employment support for people with mental health needs;
- Scrutiny Members (Living & Working Scrutiny Committee) asked Cabinet to review proposals around green waste and to investigate a less regular collection, as opposed to ending the service altogether;
- Scrutiny Members asked for the proposed charge for collection of bulky waste be reduced to £10, rather than £15;
- The ‘Summer’s Sorted’ programme be funded via the Public Health grant;
- Delay implementation of proposals with regard to the Anti-Social Behaviour (ASB) team to 2014/15;
- The original proposals on sheltered accommodation be reviewed and consulted upon in more depth over the course of the next year;
- Rejection of the proposal of closure of the Broadway Theatre;
- Rejection of proposals to reduce support to Scrutiny committees.

5.4.3 A summary of the support for the proposed savings are set out in Appendix E to this report.

#### 5.5 Public and stakeholder consultation responses

5.5.1 A comparatively small number of written comments were received from the public and other stakeholders in relation to specific savings proposals published. However, there was significant attendance at Select Committees, especially at the Health & Adults Services Select Committee at which approximately 200 members of the public attended. Attendance at the other Select Committees was also significantly up on last year’s budget consultation process.



5.5.2 The proposals which garnered the most response from the public consultation process were as follows:-

- Deletion of the green waste service;
- Proposals on anti-social behaviour and CCTV;
- Deletion of 'The News' (views were evenly mixed between ceasing publication and retaining it in its current form);
- Deletion of the Parks Rangers service;
- Concerns about the future of the borough's libraries;
- Concerns about proposals on sheltered housing;
- Concern about cuts in funding to voluntary sector organisations;
- Car parking charges;
- The condition of the borough's roads and pavements;
- Costs of translation and interpretation services.

## 5.6 Staff and trade union responses

5.6.1 We have met with the Trade Unions on a number of occasions to discuss the savings proposals. In October we issued a S188 letter giving notice that the totality of the savings proposals might lead to the loss of over 250 posts over two years and over 100 redundancies for 2013/14. Consultation is taking place with the Trade Unions and staff affected by the individual savings proposals. The views of staff and Trade Unions will be fully considered in determining which savings proposals we need to take forward into the budget proposals for the next two years.

5.7 The savings proposals set out in Appendix B have been prepared in light of the budget consultation process for Member consideration.

5.8 Table 3 lists savings withdrawn, deferred or amended as a result of the budget challenge and consultation process. This shows that £0.6m of savings proposals have been reduced for 2013/14 and a further £0.3m have been reduced for 2014/15.

5.9 The specific saving proposals that have been withdrawn during the consultation process are listed below.

**Table 3 – Savings withdrawn following select committees, the savings proposed for withdrawal, the deferred saving and the amended saving.**

	2013/14 £'000	2014/15 £'000	2015/16 £'000	Total £'000
Savings Agreed at February 2012 Assembly	10,950	739	0	11,689
Additional Savings identified	7,085	7,140	1,111	15,336
Unachievable savings	(854)	(50)	0	(904)
<b>Total Savings – Pre Select Committees</b>	<b>17,181</b>	<b>7,829</b>	<b>1,111</b>	<b>26,121</b>
<b>Saving proposals withdrawn or reduced</b>				
- ACS/SAV/07 – Voluntary Sector Grants	(10)	0	0	(10)
- ACS/SAV/08 - Sheltered Housing	(50)	(200)	0	(250)

- ACS/SAV/10(f) - Employment Support for Mental Health	(94)	0	0	(94)
- ACS/SAV/22 – Broadway Theatre	0	(140)	0	(140)
- H&E/SAV/19 - Green waste	(257)	0	0	(257)
- FIN&RES/SAV/21 – Economic Development Team	0	(35)	0	(35)
- CEX/SAV/06 – Scrutiny Officer	(46)	0	0	(46)
- ACS/SAV/33 – Supported People Grant changes	0	200	0	200
<b>Total Savings Withdrawn or Reduced</b>	<b>(457)</b>	<b>(175)</b>	<b>0</b>	<b>(632)</b>
<b>Saving proposals deferred or brought forward</b>				
- ACS/SAV/26 – ASB Team	(121)	121	0	0
- FIN&RES/SAV/12 – Internal Audit	26	(26)	0	0
<b>Total Savings Deferred or Brought Forward</b>	<b>(95)</b>	<b>95</b>	<b>0</b>	<b>0</b>
<b>Total Reduction / Amendment</b>	<b>(552)</b>	<b>(80)</b>	<b>0</b>	<b>(632)</b>
<b>Total Savings – Post Select Committees</b>	<b>16,629</b>	<b>7,749</b>	<b>1,111</b>	<b>25,489</b>

- 5.10 The following additional savings were also not supported by the Select Committees but following discussions with Cabinet Members the decision has been taken to proceed with the delivery of all or part of these savings.
- ACS/SAV/29 - Reduce Dedicated Support (£19k);
  - ACS SAV 27 - CCTV Team (£153k);
- 5.11 Part of the Green Waste saving (H&E/SAV/19) of £104k was withdrawn by the Select Committee but following the award of the Weekly Collection Grant the entire saving of £257k has been withdrawn.
- 5.12 Saving ACS/SAV/33 (Supported People Grant changes) was developed as a result of the consultation process to build in the effect of historic changes to the grant funding regime.
- 5.13 For all proposals agreed, Cabinet is asked to note that officers will begin implementation of the savings to ensure the agreed reduction is achieved in 2013/14 including issuing letters to affected staff advising them that they are at risk of redundancy in January.
- 5.14 Table 4 shows the total savings position, the budget position and the impact on the budget gap were the Cabinet to accept the withdrawal of the specific savings in table 3. The table does not take into account the financial impact of concerns raised by the public through the consultation process, where a proposal to remove a savings proposal has not been made by Select Committees or arising from a Leader's Question Time.

**Table 4 - Impact of savings options on MTFS budget gap**

<b>Medium Term Financial Strategy Pressures and Adjustments</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
MTFS Pressures – February 2012 Assembly	19,330	16,050
MTFS Savings – February 2012 Assembly	(10,950)	(739)
<b>MTFS Budget Gap – February Assembly 2012</b>	<b>8,380</b>	<b>15,311</b>
Service pressures and adjustments since February (Table 2)	(2,566)	(2,300)
<b>MTFS Budget Gap – November 2012</b>	<b>5,814</b>	<b>13,011</b>
Additional savings before Select Committees	(7,085)	(7,140)
<b>Net Budget gap – November 2012 (surplus)/deficit</b>	<b>(1,271)</b>	<b>5,871</b>
Savings withdrawn/deferred/amended	552	80
<b>Revised Headroom (-) / Budget gap (+) following withdrawn proposals and savings to be deferred</b>	<b>(719)</b>	<b>5,951</b>

- 5.15 In assessing the concerns raised about the savings proposals above, Members are requested to note that the funding for 2013/14 is yet to be confirmed by central government. In addition, the DfE have yet to announce the Academies top slice for 2013/14.
- 5.16 With additional savings in 2013/14, the gap for 2014/15 reduces to £5.232m
- 6.0 Savings proposals for 2013/14 to 2014/15**
- 6.1 Taking into account the savings of £11.0m agreed at the February 2012 Assembly total savings of £17.2m have been identified for 2013/14. Following the Select Committee process, there has been a net reduction of £0.6m in the savings for 2013/14, which reduces the savings to £16.6m. Taking into account of all the adjustments recommended in this report, this leaves a headroom figure of £0.719m.
- 6.2 Members are advised to take into account that the final funding settlement has not yet been announced for 2013/14 and further pressures may emerge, e.g. levies and other Government announcements which normally come through between December and February.
- 6.3 For 2014/15 total savings of £7.7m have been identified, including those pre-agreed at February Assembly 2012 and the recommendations of the Select Committees.
- 6.4 As there remains a budget gap for 2014/15 of £5.951m, the savings that have been withdrawn, as part of the wider identification of further savings options to address that shortfall, may need to be reviewed and reconsidered in the future. Once the additional savings of £0.719m for 2013/14 and taken into account the gap for 2014/15 reduces £5.232m.
- 6.5 Table 5 below illustrates the total savings achieved by each department, including the February 2012 Assembly agreed savings.

**Table 5 – Total Savings by Department**

<b>Total Savings Identified (including Feb 2012 Assembly Agreed)</b>			
	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>	<b>Total £'000</b>
Feb 2011 Approved	10,950	739	11,689
Additional Savings	7,085	7,140	14,225
Unachievable savings	(854)	(50)	(904)
<b>Total Savings identified</b>	<b>17,181</b>	<b>7,829</b>	<b>25,010</b>
Savings withdrawn /deferred/amended (table 3)	(552)	(80)	(632)
<b>TOTAL</b>	<b>16,629</b>	<b>7,749</b>	<b>25,490</b>
<b>Departmental break down of Total Savings:</b>			
Adult and Community Services	4,325	2,438	6,763
Children's Services	2,708	2,963	5,671
Housing & Environment	1,665	829	2,494
Finance and Resources	1,438	1,277	2,715
Chief Executive's	1,302	242	1,544
Corporate	5,191		5,191
<b>TOTAL</b>	<b>16,629</b>	<b>7,749</b>	<b>24,378</b>

**7.0 Proposed Budget for 2013/14 to 2014/15**

- 7.1 The estimated budget requirement for 2013/14 is approximately £170.8m, which is a reduction of £6.5m on the £177.3m for 2012/13. This reduction has arisen as a result of funding cuts to the Formula Grant and non ring-fenced grants.
- 7.2 As the Local Government Finance Statement is not expected until 19 December 2012, the £6.5m reduction in funding is an assumption based on indicative information from CLG. There is a risk that when the statement is announced the reduction in the Council's funding could be significantly higher.

**Table 6 - The gross budget gap, savings identified and the remaining budget gap**

<b>Medium Term Financial Strategy Pressures and Adjustments</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
MTFS Pressures - February 2012 Assembly	<b>19,330</b>	<b>16,050</b>
Service pressures and central adjustments	(2,566)	(2,300)
<b>MTFS Pressures - November 2012</b>	<b>16,764</b>	<b>13,750</b>
Savings Identified	(17,181)	(7,829)
Savings shortfall included in service pressures	(854)	(50)
<b>Budget Gap as at November 2012</b>	<b>(1,271)</b>	<b>5,871</b>
Savings withdrawn/deferred/amended (table 3)	552	80
<b>Remaining Budget Gap/(Headroom)</b>	<b>(719)</b>	<b>5,951</b>

7.3 This report requests that Members formally agree the saving proposals put forward in respect of 2013/14 to 2014/15. These will be factored into the main Budget Framework report for 2013/14 which will be presented to Cabinet and Assembly in February 2013. A summary of the MTFs as at 30 November 2012 is at Appendix C.

## 8.0 The Housing Revenue Account

8.1 In light of the Self Financing Requirements, local authorities are required to produce business plans outlining the income and expenditure requirements over a 10 to 30 year period. This was presented to Cabinet in March 2012 and a revised version was presented to Cabinet in July 2012.

8.2 For Barking and Dagenham, over a 10 year period total capital resources available are estimated to be £530.8m, which will be spent on new builds, Estate Renewals and investment in current housing stock. The HRA business plan is available at Appendix A.

8.3 It is important to note that the current business plan has been modelled on a number of assumptions on inflation (2.5%), interest rate (3.5%), and rent increases of RPI + 0.5%. A change in any of these factors will impact on the business plan and the financial consequences will need to be taken into consideration and modelled through accordingly.

## 9.0 Capital Strategy

9.1 The Council has an agreed capital programme which is approved annually at Assembly and updated throughout the year when new funding is identified and schemes are submitted to Capital Programme Management Office for appraisal. The four year programme and funding is as follows.

**Table 7 – General Fund Capital Programme**

Department	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
Adult & Community Services	6,109	5,939	4,350	170	16,569
Children's Services	64,118	19,008	50		83,176
Housing & Environment (non-HRA)	7,536	3,619			11,155
Finance & Resources	19,039	8,933	5,892		33,864
<b>General Fund Total</b>	<b>96,803</b>	<b>37,499</b>	<b>10,292</b>	<b>170</b>	<b>144,764</b>
Financed by:					
External grants	68,614	21,897	1,942		92,453
Section 106	2,553	23	400		2,976
Revenue contributions	784				784
Reserves	1,195				1,195
Capital Receipts	5,537	9,439	3,950	170	19,096
Borrowing	18,120	6,140	4,000		28,260
<b>Total</b>	<b>96,803</b>	<b>37,499</b>	<b>10,292</b>	<b>170</b>	<b>144,764</b>

**Table 8 – HRA Capital Programme**

Department	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
<b>HRA Total</b>	<b>45,300</b>	<b>94,050</b>	<b>64,000</b>	<b>41,280</b>	<b>244,630</b>
Financed by:					
Major Repairs Reserve		10,600			10,600
External grants	9,500	29,890	16,990	1,920	58,300
Section 106		100			100
Leasehold Reserve		6,900	500	500	7,900
Revenue contributions	35,800	35,070	35,160	37,110	143,140
Capital Receipts		3,490	1,750	1,750	6,990
Borrowing		8,000	9,600		17,600
<b>Total</b>	<b>45,300</b>	<b>94,050</b>	<b>64,000</b>	<b>41,280</b>	<b>244,630</b>

9.2 Some of the major developments in the capital programme include:

- Adult & Community Services – the construction of a new leisure centre in Barking (£12.6m)
- Childrens Services – providing new school places for both primary and secondary schools (£36m)
- Housing & Environment General Fund – improving highways in the Borough (£6m)
- Finance & Resources – ICT modernisation and improvement and Oracle R12 project (£6m)

9.3 The Council is embarking on major housing development within the HRA Business Plan including £75.2m in building new homes and £28.7m in renewing estates at Goresbrook, Leys and Gascoigne.

9.4 The level of planned borrowing within the General Fund has future implications for the level of debt charges to be met by the Council. Officers are currently reviewing the capital programme to identify ways to reduce the level of borrowing, through efficiencies and identifying other ways to fund capital investment.

## 10.0 Financial Implications

10.1 Financial implications have been covered throughout the report.

## 11.0 Legal Implications

Implications provided by: Paul Field, Corporate Governance Lawyer

11.1 Local authorities are under an explicit duty to ensure that their financial management is adequate and effective and that they have a sound system of internal control and management of financial risk. This report contributes to that requirement. Specific legal advice may be required on the detailed implementation of agreed savings options.

11.2 Where there are proposals for the closure or discontinuance of a service or services, appropriate consultation will need to be carried out. The savings proposals that affect staff will require consultation with Unions and staff. In addition to that Members will need to be satisfied that Equality Impact Assessments have been carried out before the proposals are decided by Cabinet. If at any point resorting to constricting expenditure is required, it is important that due regard is given to statutory duties and responsibilities. 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;
- 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. This could be where an assessment has been carried out for example for special educational needs 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.

## **12.0 Equalities Impact Assessment**

12.1 The Council requires that each saving proposal being made should have an assessment of the likely particular impacts of the proposal on residents and staff across the nine equality categories. This has been put in place to:

- Ensure our services are accessible to all and really meet the needs of our customers;
- Ensure that we deliver our policies and strategies in a practical way;
- Ensure that reasonable account is taken of the impacts of decisions, changes and new strategies and policies on service users and staff from the equalities categories laid out in the Equalities Act 2010. The need for effective equalities analysis has been highlighted by recent judicial reviews of decisions made by other local authorities on the grounds of alleged inadequate analysis of proposed savings.

12.2 This process is designed to ensure the Council's policies are adhered to and to help the Council take into account the requirements of the Equalities Act 2010 in the context of applying spending reductions.

12.3 It is anticipated that the savings proposals will have an impact on the majority of the residents in the borough. However this assessment is of the additional or particular impacts on equality categories.

12.4 The nine equality categories areas are:

- Age;
- Disability;
- Gender reassignment;
- Marriage and civil partnership;
- Race;
- Religion and belief;
- Sex;
- Sexual orientation;
- Socio – Economic Inequalities.

Additional comment was made regarding the potential impact on carers and community cohesion.

12.5 Each proposal was assessed to establish:

- Whether there would be a particular positive or negative impact on residents from each of the equalities categories, over and above the impact that there would be on all residents;
- What mitigations have been made in designing the proposal, or would be put in place if adopted, to reduce any negative impacts identified;
- How and when the actual impact of the proposal would be reviewed.

12.6 A schedule of the Equalities Impact Assessments (EIA) is provided at Appendix D.

12.7 EIAs have been carried out on all of the proposals. Of these there are 190 negative impacts and 3 positive impacts on particular equality groups. Of the proposals, 399 have no negative impacts on particular equality groups. The breakdown of impacts by equality group is laid out below, starting with the greatest negative impact:

**Table 9 - Impact of Proposals on Equality Groups**

	Negative impact	Positive impact	Neutral impact	No impact
Disability	33	1	1	33
Socio-economic	31	0	0	37
Staff	27	0	0	40
Age	27	1	2	38
Race	20	1	1	46
Gender	20	0	0	48
Sexual Orientation	15	0	1	52
Religion and Belief	13	0	1	54
Other	4	0	0	51
<b>Total</b>	<b>190</b>	<b>3</b>	<b>6</b>	<b>399</b>

12.8 A significant proportion of the proposals have a negative impact on more than one area of equalities, and so the total figures are greater than the number of proposals. The table does not reflect the level of impact within each proposal but does provide a general sense of the impact on each category. Seven budget savings in ACS and one in Children’s Services are just a change of funding stream



and will have no impact on service delivery or staffing issues therefore an EIA's have not been carried out and they are not included in the table above.

## 12.9 Mitigations

Of the 190 proposals with at least one possible negative impact identified, 58 have either changed the proposal or built in actions which would mitigate the negative impact following the relevant Equalities Impact Assessment. For example, the proposal to decommission the specialist employment support for people with a learning disability has been mitigated by offering additional training to the Job Shops and building employment support into our day service provision and a number of other measures.

## 12.10 Conclusion of the EIA

The overall impact of the proposed savings has a disproportionately negative impact on disabled people and younger and older people in the borough. The adverse impact on initiatives to combat socio-economic disadvantage is considerable and we will see a particular impact on people with lower incomes also on women and people from black and minority ethnic groups. These are groups who are already suffering the impact of cuts by national government and other agencies. In particular, recent research has highlighted the disproportionate impact of cuts in benefits, services and unemployment nationally on women, younger and older people, people from black and minority ethnic groups and especially disabled people. The table also shows us that these proposals will have a large adverse impact on staff.

12.11 Very little equalities monitoring is available by religion and sexual orientation for service users so it is harder to predict outcomes but any proposed saving that effects the whole community will obviously effect the LGBT and faith communities.

12.12 Disabled people are significantly affected by a number of the proposals; disabled people tend to be on significantly lower incomes than the overall population, so again they will experience a greater impact from the proposed savings.

12.13 To some extent these impacts are to be predicted: Council services tend to focus on serving the most vulnerable residents, and a large part of some areas of the Council's work does focus on younger and older people, so when the Council has to make significant savings, it is likely that services for those groups will be particularly affected.

12.14 Most of the individual impacts will occur because the equality groups use an affected service more than the wider community, rather than because they will lose specifically targeted services. However the cumulative impact is nonetheless significant and the Cabinet is advised to consider the overall combined impacts of the decisions being made.

12.15 However, some of the possible negative impacts have been mitigated through changes to the proposals, or additional measures added to the implementation of the proposals. The Council has worked hard to minimise the impacts on equalities groups and those on low incomes.

- 12.16 There are some positive impacts, such as ceasing to use external Accommodation Agencies and setting up a Social Lettings Agency. This will enable the Council to procure and manage property directly, providing suitable accommodation for all homeless households, whilst reducing expenditure on temporary accommodation. Also the proposal for efficiencies from the Parking Improvement Plan will have a positive impact as it promotes and protects road space for disabled people. Overall, the potential, substantial particular impacts on equalities groups have been mitigated as much as is possible through the choice of the proposals given, and the design of the proposals as described.
- 12.17 Legal Services have advised that as this is at the proposal stage it is inappropriate to prejudge the outcome, (consider employee profiles) and prejudice the legal requirement to carry out meaningful consultation when contemplating redundancies. The procedures that will be used to implement the proposals are already subject to EIA's.
- 12.18 Human Resources have further advised that at this stage there are potential issues of individual confidentiality if we seek to use information provided by staff for EIA's on individual service proposals; additionally, some disabled staff have concerns about disclosing information as it may be used in redundancy situations. Managers will consult on the information to be provided as part of the formal consultation process and ensure the selection of any employee for redundancy is based on objective, fair and justifiable criteria. We will do a review once the make-up of those at risk is known to assess the equality impact.
- 12.19 We do know that some posts may be deleted if savings proposed are acceptance and there will be significant redundancies. In many instances we do not know which staff will be affected. However our policies around change and redundancy have been equality-tested and we believe we have processes in place to ensure fairness.
- 12.20 The Council is required to take due regard of statutory equality needs in making decisions, including considering savings proposals. The consistent approach taken in recent judicial reviews against other local authorities based on their approach to equalities assessments, has been whether "there had been a conscious directing of the mind by the decision-makers to their obligations under legislation, and in particular to the need to exercise the duty to have due regard in substance and with vigour and based on sufficient information, appropriately analysed" <sup>[1]</sup>.
- 12.21 In considering the savings proposals, Cabinet should take into account:
- The cumulative impact of the combined proposals on residents from the nine equality areas;
  - The cumulative impact in particular on younger and older people, those on lower incomes and disabled people and women who are the most affected by the proposals;
  - The cumulative impact of the combined proposals on the staff profile across the nine equality areas when the budget saving areas are identified.

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<sup>[1]</sup> R (on the application Green) v Gloucestershire County Council; R (on the application of Rowe and another) v Somerset County Council; QBD; (Admin) (Judge McKenna sitting as a deputy judge of the High Court): 16 November 2011

## 13.0 Other Implications

- 13.1 **Risk Management** – In addressing the funding gap for 2013/14 and beyond, consideration has been given to risks associated with delivering each of the saving proposals. Each saving has been RAG (red, amber, green) rated in line with the level of risk the saving poses and mitigating factors have been considered alongside each of the proposals.
- 13.2 **Contractual Issues** – There are no direct contractual issues arising from this report. The saving options put forward some new or re-negotiated contracts and where appropriate, further reports will be brought to Cabinet for approval.
- 13.3 **Staffing Implications** – It is estimated that the savings proposals put around 140 posts at risk (with the potential for 100 redundancies). Discussions with the Trade Unions on the specific impact of the savings proposals for 2013/14 began in mid-October, although budgets are discussed at each formal meeting with them. For each individual savings proposal, where there is an impact on staff, consultation has taken place with the staff affected. Should the savings proposals be agreed, we will follow the appropriate HR policies and procedures around implementing change. The Council remains committed to minimising compulsory redundancies where possible. We have issued HR1 and S188 letters to advise of the potential of redundancies of that order.
- 13.4 Where there are reductions in posts, this frequently means that smaller numbers of staff are required to carry out the same volume of work. The process of implementation of the savings will need to be handled with care to mitigate risks in relation to this.
- 13.5 **Customer Impact** – The freezing of Council Tax at 2010/11 levels is designed to minimise the financial impact on residents. The saving options have been subject to an assessment of equalities and diversity implications and consideration given to the extent of adverse impact on customers. Extensive consultation has also taken place. Front line services have been protected as far as possible, but some cuts to front line services have been unavoidable.
- 13.6 **Safeguarding Children** – There is a risk that budget proposals could impact on safeguarding children at a number of levels. Proposals have considered carefully the need to protect the most vulnerable and therefore Children's Complex Needs and Social Care options have been very carefully scrutinised to ensure they do not place children at risk.
- 13.7 Front line services have been protected where-ever possible so that all staff who work with families can maintain safeguarding vigilance. There is a risk that some reductions in services could lead to more families reaching crisis, when this might have been avoided. This has been mitigated by improved cross-agency working through the Multi-Agency Localities Teams.
- 13.8 **Crime and Disorder Issues** – The Crime and Disorder Act places a duty on the Council as a responsible authority to have regard to the reduction and prevention of crime and disorder in its decision making process and policy development and delivery. As such in terms of financial constraints it is important to have regard to the impact of budget reductions in terms of crime and disorder.

13.9 **Property / Asset Issues** – Some of the savings proposals have indirect property/ asset implications with regards building closures resulting from service reviews, which will reduce the Council's property estate. The implications of these will be dealt with on a property-by-property basis in line with the Council's disposal rules.

**Background Papers Used in the Preparation of the Report:**

Assembly Budget Framework report – February 2012

**List of appendices:**

**Appendix A** - HRA 10 Year Business Plan

**Appendix B** - List of Saving Proposals

**Appendix C** - Medium Term Financial Strategy Summary

**Appendix D** - Equalities Impact Assessments

**Appendix E** - Select Committees Responses to Savings