

CABINET

14 DECEMBER 2011

Title: Budget Strategy 2012/13 to 2014/15	
REPORT OF THE CABINET MEMBER FOR FINANCE AND EDUCATION	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Summary: <p>This report focuses on:</p> <ul style="list-style-type: none">• A summary of the national funding position and the indicative shadow settlement;• The Medium Term Financial Strategy and a three year summary level financial model for the Council;• The proposed savings for 2012/13 through to 2014/15 totalling £30.517m;• The current budget gap for 2013/14 of £4.233m although this may change significantly when the Government announces the settlement for the next two years of the spending review period;• The outcomes of the budget consultation process with recommendations being made for reconsideration of savings and the commensurate impacts;• The current headroom (savings in surplus of balanced budgets);• The Equalities Impact Assessments of the Budget Savings proposals. <p>This report acts as a pre-cursor to the main Budget Framework report to be presented to Cabinet and Assembly in February 2012.</p> <p>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.</p>	
Recommendation(s) <p>The Cabinet is recommended to:</p> <ol style="list-style-type: none">(i) Note the current projected financial position for the Council for 2012/13 and beyond as set out in this report;(ii) Consider the responses to the budget consultation process via:	

- a). the Select Committees - see paragraph 5.5 and Appendix F
 - b). public consultation through Leader's Question Time, the Council's website, Facebook and Twitter and the Local Strategic Partnership Board - see paragraphs 5.6 - 5.10,
- (iii) Consider trades union and staff responses to the Council's savings proposals - see paragraph 5.11 and Appendix A;
 - (iv) In the light of the above and having regard to the Equalities Impact Assessments contained in Appendix E, consider and approve the savings proposals as listed in Appendix B to the report for implementation with effect from 1 April 2012;
 - (v) Note that the following savings options have been withdrawn as a result of representations made via the budget consultation exercise:
 - FIN&RES/SAV/03 - Credit Card charges
 - FIN&RES/SAV/17 - Removal of Free School Uniform awards
 - CUS/SAV/01 - Strategic Commissioning of domestic and refuse services
 - CHS/SAV/15 - Social Work restructure
 - (vi) Note that the following savings option has been deferred pending further consideration:
 - CUS/SAV/02 - Localities Management
 - (vii) Note that the following savings options have been amended following further consideration in the light of the representations made via the budget consultation exercise:
 - ACS/SAV/20 - Community Safety Co-ordinators
 - FIN&RES/SAV/01 - Transfer of Assets and Commercial Services Division to Elevate
 - FIN&RES/SAV/06 - One Stop Shop Opening Hours
 - CUS/SAV/11 - Naturalisation of grassland areas
 - (viii) Authorise the Corporate Director Adult and Community Services, in consultation with the Cabinet Member for Culture, Leisure and Sport, to take appropriate measures to implement the savings target identified in ACS/SAV/11 – Termination of subsidy to Broadway Theatre
 - (ix) Note that officers will issue notice, with effect from 22 December 2011, 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 2012/13 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. 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 period (CSR).

- 1.2 Nationally, the overall funding for all local authorities was reduced by 32.3% 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 £7.846m during 2010/11 (on top of savings already approved for that year) and £20.3m savings in 2011/12.
- 1.4 The purpose of this report is to set out the high level revenue budgets proposed for 2012/13 and the savings required for 2012/13 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. 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. 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. Shown below is a short explanation about each of the Council's funds and what they are used for:

- **Dedicated Schools Grant (DSG)** – The Council receives an allocation from the Department for Education (DfE) based on the number of pupils educated in schools and nurseries across the borough. The funding received must be allocated directly to schools (this is known as pass-porting). The Council retains an element of the total DSG allocation (about 9%) to fund services on behalf of the Schools Forum such as support for children with special educational needs, catering services, pupils out of school and the admissions service.
- **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. There is a sizeable capital account attached to the HRA.
- **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 widow's 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.

- **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. 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. National Context and forthcoming pressures

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.

2.2 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 equivalent to a 2.5% increase in Council Tax for those who freeze Council Tax
- Reductions in the proportion of grant allocated on a per capita basis and increases in the proportion allocated on a needs basis

2.3 At this stage, there is no indication of what the funding levels will be for the remaining two years of Spending Review period – 2013/14 and 2014/15. The estimated funding reductions in the Medium Term Financial Strategy assume that the funding reductions will broadly be around 28% for a four-year period and that these were front loaded into the first two years. Whilst we have not had any indications, the Government is struggling to deal with the continuing debt crisis in the UK and growth is not as forecasted. 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. No confirmation has yet been received on whether the NHS grant will be continued beyond 2012/13.

2.4 The table below illustrates the level of funding reductions announced for the first two years of the CSR, and the estimated levels of funding reductions for the remaining two years to 2014/15 given the information to hand:

Grant	2011/12 £'m	2012/13 £'m Subject to Confirmation	2013/14 £'m Estimated	2014/15 £'m Estimated
Formula Grant	105.4	99	93	88
Specific Grants	20.1	18.7	18	17
CT Freeze Grant	1.3	1.3	1.3	1.3
NHS Grant	2.4	2.3	0	0
TOTAL	129.2	121.3	112.3	106.3
Change £'m	(12.2)	(7.9)	(9)	(6)
Change % from prior year	(8.6%)	(6.1%)	(7.4%)	(5.3%)

Table 1 – Grant change from 2011/12 to 2014/15

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.

2.6 **Public Sector Pay**

In the Autumn budget statement on 29 November, the Chancellor announced a 1% cap on public sector pay for two years at the end of the current pay freeze period. If implemented by local government employers, the first year of effect for this will be 2013/14 and would result in a pressure of approximately £1m for the Council's General Fund based on the current pay bill.

2.7 **Local Government Resource Review**

Currently, National Non Domestic Rates (NNDR - these are business rates paid by businesses in the borough) are collected locally by the Council and then pooled into a national pot. The national pot is then re-distributed back to councils on the basis of need. This means that some councils receive back less than they collect and some councils receive more than they collect. As part of the Government-led Resource Review, the Government is proposing that councils continue to collect all the business rates locally and keep these. For those councils who do not collect enough business rates, they should receive a top-up grant and for those councils who collect too much, they will need to pay a tariff. Barking and Dagenham Council is a net recipient of NNDR (ie. does not collect enough to cover the need) and currently receives a top up allocation from the central NNDR pool.

There are significant risks associated with the Resource Review proposals. If the proposals are implemented, Councils would bear any losses arising from reduced levels of collection as well as a reduction in the overall level of rates collectable should the number of businesses in the borough go down. Conversely, the proposals also present a potential opportunity if councils are able to regenerate the

local economy and encourage businesses to set up or grow in the borough through differential business rate setting (which the Resource Review is considering allowing). The more businesses we can encourage to set up in the borough, the greater the income we can generate through business rates. The Council has responded to the Government consultation and is awaiting a response.

2.8 Council Tax Benefits Localisation

The changes proposed through this Government review will have significant financial implications for the Council and its residents. Nationally, the Government is aiming to achieve 10% savings through Council Tax Benefits Localisation. A 10% reduction in Council Tax Benefits for the Council equates to around £2m. In addition to the 10% savings, the funding changes proposed do not take into account increases in caseloads/demand for Council Tax Benefit, or increases in overall Council Tax Benefit year on year. A 3% increase on caseload could result in funding pressures for the Council of around £650k.

2.9 Council Tax Freeze Grant

The Government has awarded councils who do not increase their Council Tax a Council Tax Freeze Grant equivalent to a 2.5% increase on the Council Tax. For this Council, 2.5% of Council Tax equates to £1.3m. For 2012/13, the Government has set aside £805m, as a one-off cash amount to fund the Council Tax freeze. It should be noted that this is a one-off cash payment which artificially increases the amount the Council has to spend each year as the grant is not available next year and is not built into the base grant allocation. Some councils have declined the grant offer in favour of increasing Council Tax to ensure their base funding increases year on year.

2.10 Academy Top Slicing

The Government's Academy agenda encourages schools to work independently and autonomously from local authorities. As such, Academies are required to carry out certain central functions directly that were previously carried out by the Council. In recognition of additional costs that Academies will incur, the DfE allocates an amount per pupil to schools on conversion to Academy status to meet these pressures. The additional funds are paid to the school each year. The DfE funds this by recouping an amount from the Council's Dedicated Schools Grant (DSG) - this is known as "top-slicing". Even though there are no Academies in Barking and Dagenham, a top slice of £563k was applied to our formula grant by the DfE in respect of 2011/12. The DfE announced in the Academies Consultation paper issued in summer 2011 that the current levels of top slicing applied in the past had been underestimated. Nationally, the DfE has acknowledged that funding levels for Academies are "unsustainable" in the long term. The current top slice for Barking and Dagenham is £563k for 2011/12, based on a national top slice estimated at £265m. The revised figures that have been published reveal that the top slice requirement is now in the region of £580m to £680m for 2011/12. At present, the Academy top slice for 2012/13 is still being worked through by the DfE and may pose a further risk to the funding position. The Council has responded to the Government consultation and is awaiting a response.

2.11 **Localism Act 2011**

The Government's Localism Act is focussed on localism and devolution and claims that it is designed to ensure that decisions about services in local areas are made at the lowest possible democratic level, closest to the people who will be affected by the decision. Some of the elements of the Act may present particular challenges for implementation in London and have a potential impact on finances, such as:

- Neighbourhood Planning
- Housing Finance
- Housing and Regeneration Functions of the GLA
- Mayoral Development Corporations
- GLA Governance.

2.12 **Public Health**

The Government's consultation on the Public Health White Paper was published in July 2011. It details five main changes that are being introduced relating to public health (PH):

- Local authorities will lead on PH, to shape services for local needs (health and wellbeing boards will be key to this)
- Public Health England (PHE) will support integrated public health from April 2013
- An integrated PH outcomes framework is being developed, focused on health outcomes
- PH will be made a clear priority across Government (a cross-Government committee is being formed)
- A commitment to reduce health inequalities as a priority across the system.

Nationally, PHE will bring together 18 different bodies (including the Health Protection Agency, the National Treatment Agency, the public health observatories, cancer registries, some Department of Health and Strategic Health Authority functions) and will be twice as big as the Department of Health. It will be an executive agency, more independent from the Department of Health than originally proposed.

There is still a significant amount of uncertainty around the practicalities of implementing the policy and how the changes will happen in practice.

The thinking at the moment is that local authorities will have a "shadow budget" for PH in 2012/13 (and there are discussions with Health about the methodology used to apportion) with a view to having full budget and control handover from April 2013 onwards. It is expected that the allocation will be based on historic expenditure, taking into account of a 3% top slice to the Mayor of London to fund the pan-London health improvement plan, with a formal announcement expected in the New Year.

2.13 **Dedicated Schools Grant (National Funding Reforms)**

The current method of schools' funding is based on a historic "spend plus" methodology. The original grant allocation was set when the Dedicated Schools Grant was introduced and subsequently uplifted for inflation/other adjustments annually. There are many disparities in the current system and in recognition of this the DfE published a consultation paper in the summer proposing changes to the current system. The consultation proposes to introduce the National Funding formula from 2013/14 onwards, with a shadow budget released for April 2012/13.

The proposal is to introduce a four block model, recognising that there are different funding levels required for each of the blocks, as opposed to a specific allocation per pupil. The four blocks are:

- Schools
- Early Years
- Special Education
- Central Services

The main risk is around the control of the Central Services budgets and what the revised allocation will be for these services when the National Funding system is introduced. These risks do not impact directly on the General Fund and should be contained within the Dedicated Schools Grant. There is a risk that some services currently offered will not be included in the calculation of the specific allocation per pupil, and this could lead to a reduction in education services. Boroughs with rapid growth are likely to continue to be disadvantaged as payment levels are defined based on population in January each year, with growth needing to be contained within that allocation, with only limited scope for additional income, this presents an additional pressure for our schools. The Council has responded to the Government consultation and is awaiting a response.

2.14 Housing Revenue Account – Self-Financing Reforms

The Department for Communities and Local Government (DCLG) is proposing to abolish the HRA subsidy system as it is complicated and no longer serves the purposes for which it was intended. Under the Localism Act, local authorities will take control of the housing expenditure and income enabling effective long term planning of the housing stock. As a result, authorities are expected to take on a share of the £28bn debt as part of the self-financing requirement. The indicative debt settlement figure for Barking and Dagenham is £265m. In exchange for paying on-going annual subsidy payments, the authority will be responsible for meeting the annual interest charges of the £265m debt.

2.15 Greater London Authority / Powers of Influence

The Greater London Authority (GLA) was formally established on 3 July 2000 to improve the coordination between the 32 local authorities in London, and have a single individual to represent the City of London in the form of The Mayor of London. The Mayor is supported by an Assembly that is in place to hold the Mayor to account by scrutiny of his/her actions and decisions. The Assembly also accepts, rejects or amends the Mayor's proposed budgets and policy proposals on an annual basis.

The GLA is accountable for the strategic administration of Greater London. It has three main areas of responsibility:

- Economic development and Wealth Creation
- Social Development
- Environmental Improvement

These three areas cover Transport, Policing, Fire and Rescue, Sustainable Development, Strategic Planning, Equality of Opportunity, Health and Health Inequalities, Climate change and Community Safety.

The GLA itself does not provide any services directly; however, the executive has power over four functional bodies that are guided by the policy of the GLA:

- Transport for London (TFL) – Responsible for most of London’s transport system
- The Metropolitan Police Authority (MPA) – Responsible for the Metropolitan Police Service. In the future, although policing will remain a function of the Mayor of London, it will no longer be a GLA function once the role of Police and Crime Commissioner is introduced
- The London Fire and Emergency Planning Authority (LFEPA) – London Fire Brigade and emergency planning
- London Development Agency (LDA) – Responsible for developments across London

2.16 The financial implications of any policy changes need to be factored into the Medium Term Financial Strategy. All implications will at this stage only be indicative and will change as we receive further information.

3. Local Context/Strategy

3.1 The budget strategy and the savings process undertaken have been in line with the core philosophy of protecting front line services, protecting vulnerable people and providing effective support functions. The Medium Term Financial Strategy underpins the Council’s three objectives of:

1. Raising average income in the borough
2. School and post-16 education
3. Housing and Estate Renewal

3.2 Demographic Pressures

The Council is responsible for providing services to those living and working in the borough. Barking and Dagenham is experiencing huge demographic changes, with a change in the number of people living in the borough and a change in the age and ethnicity of the population. The latest survey results show that Barking and Dagenham’s population is growing faster than any other borough in London. We have larger increases in the number of births and our older people are living longer, many of whom have increasingly complex health needs. Barking and Dagenham is a destination of growing attractiveness – and while we should celebrate the fact that our borough is somewhere that people increasingly choose to live, this does result in real and growing pressure on the services we can and do provide.

3.3 2012 Pay Award

The national employers’ side have recently received a pay claim for a “substantial increase” in 2012 to compensate for the impact on their members’ income levels of the decisions not to make a pay award in the last two years and the current level of inflation. The employers’ side is currently in dialogue with local authorities about the stance that they wish to take in responding to that claim. Whilst the affordability of any award is an issue for most authorities (and this Council is not building any provision for pay increases into base budgets), some do believe that some award should be made to the lowest paid in the sector despite the difficulties that might cause. The position to be adopted by the national employers will be known early in the New Year, but the outcome of negotiations may not become clear for some months after that. It is normal practice for this Council to comply with a National Agreement.

3.4 **Changes to Redundancy Scheme**

Many of the savings proposals do impact upon staff and there will be a significant number of posts lost should the proposals be accepted. Cabinet has taken the decision to exercise its discretion to amend the current redundancy scheme, and the maximum number of weeks' pay an individual might get through redundancy has reduced from 66 weeks to 45 weeks. Most individuals will get an amount that is proportionally less than that, based on their age and length of service. This decision has been taken to reduce the future costs of redundancies. The proposal to reduce the multiplier still further in April 2012 and pay a maximum of 30 weeks has been put on hold pending further discussions with the Trade Unions.

3.5 **Olympics**

Barking and Dagenham is one of the six Host Boroughs, meaning that it has an increased input into the working of the Games by virtue of the fact that Stratford is in the next borough. The pressure on services will begin to be very obvious as we get nearer to Games time and the capacity of our staff will need to be managed to ensure that we are able to continue services through the games time period. However there are significant promotional opportunities in terms of profile and regeneration, and the six Host Boroughs are working together to lobby, for example, the London Mayor and Transport for London for a range of economic initiatives. The Olympic Torch will be carried through this borough. The Olympics Committee expects Councils to pay for some of the costs towards the smooth running (e.g. increased refuse collections, increased security etc).

4. **Budget Gap for 2012/13**

4.1 Members at Assembly in February 2011 agreed to savings for 2012/13 totalling £10.187m, which left a remaining budget gap of £6.363m.

4.2 Since February 2011, a number of service pressures have been identified as well as areas requiring essential investment to ensure that the budget is robust in 2012/13 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 central budgets.

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:**

Realignment of HRA Recharges: As outlined at paragraph 2.14 above, from 1 April 2012, the DCLG will be abolishing the Housing Revenue Accounting Subsidy System. Under the new proposals, the Council will be expected to pay a one off debt charge of £250m in exchange for not paying an annual subsidy. Going forward, the DCLG expects all Housing Revenue Accounts to be self financing, with the ability to finance the debt charges and cost of interest. In order to ensure that the HRA is financially viable as a standalone business, a thorough review of all income and expenditure has been undertaken. This review has identified **£2.5m** of recharges to the HRA that should be re-aligned to General Fund budgets.

Children's Social Care Placements Budget: Children's Services has been experiencing a number of pressures on its Social Care Placements budget. The borough's 0-19 year old population is nearly 7% higher (at 30.1%) than the London population figure, which has resulted in a significant increase in demand on the services. The pressure of £2.5m has been significantly managed downwards by the department, by a number of service reductions and efficiencies across each of the Divisions including Commissioning, Targeted Support and Education. These service reductions have identified savings of £1m towards the overall pressure, leaving a Corporate Pressure of **£1.5m**.

Review of Leisure Services in Barking: As a result of this review, additional funds are required to finance the capital costs of borrowing required to replace current provision with a new leisure centre in Axe Street. It is estimated that the costs will be **£100k** in the first year, increasing to **£200k** in 2013/14.

Revenues and Benefits Recharge Alignment: A programme of reviewing recharges across the organisation has identified a recharge error in the Revenues and Benefits account which has created a **£1.4m** accounting gap in the Revenues and Benefits accounts. This gap needs to be funded in order to bring the Revenues and Benefits accounts back into balance.

Concessionary Fares: There has been a 6% estimated increase in the cost of Concessionary Fares since 2011/12. This is a service which is managed by London Councils on behalf of the Mayor and the increase is not one that is managed locally. This 6% cost increase has resulted in a pressure of **£350k** that has been incorporated into the service pressures above.

Review of Corporate Procurement: Following a thorough review of the Corporate Procurement savings agreed in February 2011, this has resulted in a reduction in the overall target. This will decrease the target by £2m for 2012/13 and a further £3m for 2013/14. Despite these reductions, the Council is still budgeting to achieve significant procurement base budget savings of £5m for 2012/13.

4.6 **Adjustments to Central Budgets:**

In order to mitigate the service pressures outline above, the Corporate Director of Finance and Resources has been reviewing corporate budgets and balances to identify any scope for releasing funds. The focus of this exercise has been on 2012/13 rather than later years.

Revenues and Benefits allocation from Budget Risk Contingency: The Revenues and Benefits pressure exists within the current financial year of £1.4m and, subject to Cabinet approval, could be met from the central contingency available in 2011/12. This would alleviate the pressure in 2012/13.

Reduce Corporate Redundancy Budget: The corporate redundancies budget is currently £4m and could be reduced by £1m in anticipation of fewer departures and costs in later years.

Adjust budget for borrowing: The borrowing provision for the build of Becontree Heath Leisure Centre is lower than initially anticipated due to more favourable rates, this releases £200k.

Releasing cash from the Insurance Reserve: In closing the 2010/11 accounts, an earmarked reserve of £1m was created for future insurance costs over and above those already accounted for. This could be released as a contribution from reserves to ease the position in 2012/13 but, as it is cash not a budget, would create an equal pressure in setting the budget the following year.

New Homes Bonus: The New Homes Bonus is awarded to local authorities who develop new homes and bring empty properties back into use. It is not a specific or ring-fenced grant so can be used to support our overall net budget requirement. The amount estimated for 2012/13 is £500k and this has been taken into account to mitigate against some of the service pressures outlined above.

Council Tax Freeze Grant: The Council Tax Freeze Grant is equivalent to a 2.5% increase on the Authority's Band D Council Tax figure. It is only awarded to authorities that do not increase their Council Tax charges. For 2012/13, the indicative allocation has been announced at £1.3m; however, Members are requested to note that this is a one off cash amount.

Table 2 - Changes to the MTFS since February 2011 Assembly

Medium Term Financial Strategy Pressures and Adjustments	2012/13 £'000	2013/14 £'000
Approved MTFS Budget Gap (February 2011 Assembly)	6,363	315
Pressures identified since Assembly		
Realignment of HRA recharges	2,500	
Children's Placements budget	1,500	
Review of Leisure Services in Barking	100	200
Revenues and Benefits	1,400	
Review of Corporate Procurement	2,000	3,000
Proposed Total Increases to MTFS Budget Gap	7,500	3,200
Technical Accounting Movements	(3,600)	1,000
Net Pressures identified	3,900	4,200
Adjustments		
Additional Council Tax Freeze Grant	(1,315)	
Concessionary Fares	350	
Additional New Homes Bonus Grant	(500)	(500)
Net Adjusted MTFS Gap (as at October 2011)	8,798	4,015

- 4.7 As a result of the service pressures and central budget adjustments, additional savings of £8.798m had to be identified for the 2012/13 budget, over and above the £10.187m already agreed at February 2011 Assembly. Therefore, the total saving requirement for 2012/13 is £18.985m. For 2013/14, there was an original budget gap of £11.315k, and savings of £11m were identified and agreed at the February Assembly. The above pressures increase the gap for 2013/14 by a further £3.7m; this means the overall saving requirement totals £15.015m for 2013/14.

5. Budget Setting Challenge and Consultation process

5.1 The Council has conducted a public consultation exercise following publication of its savings proposals on 25 October 2011. The public and stakeholders were given opportunities to respond to the consultation through:

- Select Committee meetings
- Two Leader's Question Time events
- A comments facility on the website
- Facebook and Twitter

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

5.2 More targeted consultation opportunities were also held for particular groups of stakeholders:

- Shadow Health and Wellbeing Board
- Learning Disabilities Partnership Board
- Local Strategic Partnership Board
- Bowls clubs

5.3 On 10 November, a further list of savings proposals was published. These proposals were developed in response to early feedback from Select Committees which suggested that not all proposals would be accepted, and therefore alternative options should be proposed. These proposals were publicised with a press release, highlighted on the website's homepage, featured on Facebook and Twitter, and considered by the Public Accounts and Audit Select Committee on 28 November, which all Select Committee Members were invited to attend.

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

- Public Accounts and Audit Select Committee on 2 November 2011
- Safer and Stronger Community Select Committee on 9 November 2011
- Health and Adult Services Select Committee on 10 November 2011
- Living and Working Select Committee on 15 November 2011
- Children's Services Select Committee on 22 November 2011
- Public Accounts and Audit Select Committee (joint meeting of all Select Committees) on 28 November 2011

5.5 Select Committees

The specific comments of the Select Committees and the proposed outcomes are set out in Appendix F to this report.

5.6 Public and stakeholder consultation responses

The savings proposals which garnered the greatest response from the public consultation process were as follows:

- Deletion of Community Safety Co-ordinators
- Proposals for the remodelling of services for people with learning disabilities, with concern that there would be cuts over and above these changes
- Deletion of subsidy to Broadway Theatre (including letters from local children, comments on Twitter and by the MP for Barking)
- Reduction in service and opening hours at One Stop Shops and Contact Centre
- Charging for the Internet in libraries

- Proposal to close Markyate library (petition and letters from schoolchildren received)
- Proposals to increase income generated through parks, in terms of the potential impact on people with low incomes
- Proposals to close Goresbrook Leisure Centre
- Reductions in funding to voluntary organisations

- 5.7 At the Safer and Stronger Community Select Committee, Members accepted the principle of the savings proposal to terminate grant funding to the Broadway Theatre (ACS/SAV/11) but recommended that Cabinet consider options for retaining performances and other arts activities at the venue.
- 5.8 The Shadow Health & Wellbeing Board met on 8 November 2011 to consider both the Council's budget proposals and the intentions within the Commissioning Strategy Plan of NHS Outer North East London. By considering both together, the Board was seeking to fulfil its mandate of ensuring a coherent, integrated health and social care system. In considering the Shadow Board's feedback, it is important to recognise that it is still very much in its infancy, and the way that it has been fitted into the processes of both the Council and NHS ONEL in this first year mean that the Board had a relatively short time to consider the plans for 2012/13.
- 5.9 Having very much recognised that it is early days for the joined-up commissioning and planning anticipated under the new system, the Board noted that reference back to the Joint Strategic Needs Assessment in only some of the proposals, and noted that there was no consistent overall reference to the priorities that the JSNA set for the borough. The Board questioned proposals such as the early closure of Goresbrook Leisure Centre, where it was felt that the impact on achievement of the borough's targets for physical activity had been only briefly assessed, albeit that the longer term (with the replacement for Abbey Sports Centre) looked positive. The Board looked forward to improved join up across plans for the Council and the Clinical Commissioning Group in next year's process, with some real movement on integrated care pathways and service design, which builds on the steadily improving relationships and structures for health and social care that are emerging.
- 5.10 A detailed table of public comments received, and responses which will be sent to respondents, have been circulated to all Members under separate cover. These will also be made available for reference at the Cabinet meeting and a copy will be published on the Council's website.
- 5.11 Staff and trade union responses
Comments received from staff and trade unions are set out in Appendix A. By the time of the deadline for publication of this report, only two responses had been received from trade unions. Any further responses received by the date of the Cabinet meeting will be tabled at the meeting.
- 5.12 Petitions
Petitions have been received in relation to savings proposals for the Broadway Theatre and the closure of Markyate Library. The petition in respect of the Broadway Theatre will be considered by Assembly on 7 December 2011. The proposed approach to the Broadway Theatre is set out in paragraph 5.16 below. The petition in respect of Markyate Library will be considered by the Assembly on

22 February 2012. It is considered at this stage that it will be possible to implement the Libraries Review as well as addressing the concerns of the petitioners.

- 5.13 The savings proposals set out in Appendix B have been prepared in light of the budget consultation process for Member consideration.
- 5.14 Table 3 lists savings withdrawn, deferred or amended as a result of the budget challenge and consultation process. This shows that £124k of savings proposals have been withdrawn for 2012/13 and a further £1,245k for 2013/14.
- 5.15 The specific saving proposals that have been withdrawn during the consultation process are listed below.

Select Committees:

- PAASC: FIN&RES/SAV/03 - Credit Card charges
- CSSC: FIN&RES/SAV/17 - Removal of Free School Uniform Awards
- CSSC: CHS/SAV/15 - Social Work Restructure
- LAWSC: CUS/SAV/01 - Strategic Commissioning of Domestic & Commercial Refuse services

In addition to the above, these adjustments have also been made:

- Deferred - LAWSC: CUS/SAV/02 - Restructuring arising from the move to localities management
- Amended – Leaders QT: ACS/SAV/20 - Deletion of Community Safety Co-ordinators. Amended proposal will retain the Community Safety Co-ordinators, refocusing the way they work in neighbourhoods, and revise the charging of some of the service to the HRA.
- Amended – PAASC: FIN&RES/SAV/01 - Transfer of Assets and Commercial Services Division to Elevate. Revised proposal transferring fewer service areas and staff
- Amended – PAASC & LAWSC: FIN&RES/SAV/06 - Reduction in One Stop Shop & Contact Centre opening hours. Revised proposal will reduce service levels, but will not reduce opening hours or days of the One Stop Shops or the range of services provided.
- Amended - SSCSC: CUS/SAV/11 - The creation of naturalised areas of grassland and woodland: Grassland element removed is £40k, woodland is £33k. Saving amended to incorporate woodlands only.

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

	2012/13 £'000	2013/14 £'000	2014/15 £'000	3 Year £'000
Savings Agreed at February 2011 Assembly	10,187	11,000	0	21,187
Additional Savings identified 2011/12	9,883	1,127	739	11,749
Total Savings (including Feb 2011 Assembly Agreed)	20,070	12,127	739	32,936
Saving proposals for withdrawal				
PAASC: FIN&RES/SAV/03 - Credit Card charges	60	0	0	60
CSSC: FIN&RES/SAV/17 - Removal of Free School Uniform Awards	64	0	0	64
CSSC: CHS/SAV/15 - Social Work Restructure	0	150	50	200
Leaders QT: CUS/SAV/01 - Strategic Commissioning of domestic & commercial Refuse services	0	1,095	0	1,095
TOTAL SAVING WITHDRAWN	124	1,245	50	1,419
Saving proposal to be deferred				
LAWSC: CUS/SAV/02 - Restructuring arising from the move to localities management	200	100	0	300
TOTAL SAVINGS DEFERRED	200	100	0	300
Saving proposals amended following consultation				
PAASC: FIN&RES/SAV/01 - Transfer of Assets and Commercial Services Division to Elevate	182	0	0	182
PAASC & LAWSC: FIN&RES/SAV/06 - Reduction in One Stop Shop & Contact Centre opening hours	340	58	0	340
Leaders QT: ACS/SAV/20 - Deletion of Community Safety Co-ordinators	138	0	0	138
SSCSC: CUS/SAV/11 - The creation of naturalised areas of grassland and woodland*	40	0	0	40
TOTAL SAVINGS AMENDED	700	58	0	758
TOTAL SAVINGS AS AT DECEMBER 2011	19,046	10,724	689	30,459

5.16 Cabinet will wish to note the following:

- **Libraries Review:** officers have been asked to bring forward further savings options relating to libraries. Following discussion with the Portfolio Holder, additional proposals to those set out in ACS/SAV/22 will be brought forward in relation to libraries, for consideration by Safer and Stronger Select Committee on 18 January and by Cabinet on 14 February 2012.
- **Transfer of Assets & Commercial Services to Elevate:** since the presentation of the original proposal, revisions have been made so a reduced number of areas and staff are included in the transfer. This reduces the savings option by £182k.
- **Community Safety Co-ordinators:** Following representations from members of the community and the Police to the Cabinet Member for Crime, Justice and Communities and the Leader of the Council the service will continue to be delivered alongside the Anti-Social Behaviour Team in Community Safety. Within this proposal an additional post is to be provided. Funding of £92k will

then be made available from the Housing Revenue Account whilst the General Fund saving is reduced to £46k.

- **Broadway Theatre:** At the meeting of the Safer and Stronger Select Committee on 9 November 2011, Members accepted the principle of the savings proposal to terminate grant funding to the Broadway Theatre (ACS/SAV/11) but recommended that Cabinet consider options for retaining performances and other arts activities at the venue. The Council has a long term partnership agreement to provide rehearsal and performance accommodation to Barking and Dagenham College students at the Broadway. Funds have been allocated to ensure that the theatre can continue to open its doors. There is no question of the building closing.

Officers understand that withdrawing the funding from the Broadway Theatre Company Limited will present severe financial challenges to the organisation. Early discussions have taken place with Barking and Dagenham College, arts organisations and the Arts Council about how the venue can continue to deliver high quality professional theatre whilst also widening the offer to allow greater community access. It is anticipated that by continuing popular events such as the annual pantomime, premieres by local professional arts companies such as ARC and Studio 3, and developing a regular programme of foyer events, a community arts centre which offers affordable activities for local people can be developed.

Together with Barking and Dagenham College it is proposed to commission a detailed feasibility study to inform the business strategy for the next few years.

- **Town Show:** The Safer and Stronger Communities Select Committee requested that three issues be considered by Cabinet as part of their decision making process relating to the proposal to stop funding the Town Show: firstly, whether it would be possible to cover the costs of the event by raising business sponsorship and/or introducing an entry charge; secondly, whether it would be feasible for the event to be delivered by community groups; and finally, whether it would be possible to continue to hold the event but on a much smaller scale.

For the 2011 event, the Corporate Communications team raised about £25,000 in sponsorship from local business. In the current financial climate this is considered to be a good achievement, which may be difficult to repeat in future years. In these times of austerity it is unrealistic to expect that the full cost of the Town Show could be met from business sponsorship. Given the very local and grass roots community focus the event has, experience suggests that it is likely to be only businesses with a strong local presence that would consider that they would benefit from being associated with the Town Show.

Similarly, it is not considered that charging entry for the Town Show would be a realistic means of bridging the funding gap. Officers have previously evaluated this and do not consider it feasible. This is due to additional costs to install security fencing to stop people getting in, and an increase in staff to take payments at the entry gates. Also, and perhaps more importantly, given the nature of the event, it is considered very unlikely that enough people would be prepared to pay to get onto the show ground to make charging worthwhile. It should be noted that an entry charge was experimented with many years ago and resulted in low attendances and a significant financial loss.

It is not considered that it will be possible for local community groups to take on the delivery of the Town Show because of the level of infrastructure costs incurred in presenting the event, for example, two temporary stages; toilets; PA systems; marquees. Whilst it may well be possible for community groups to give some free support through 'good will' to bring down some of the costs associated with the event – and this approach certainly works well with the annual fireworks display – it is not realistic to expect contractors to provide their services on anything other than a commercial basis.

- **The Health and Adult Services Select Committee sought assurance that cuts/driving down prices would not affect service quality and that vulnerable adults would be safeguarded:** The proposal in ACS/SAV/04 will ensure that Barking and Dagenham pay the same price for the same beds for people with the same need. The aim is to ensure equity across East London. Barking and Dagenham will be leading this piece of work on behalf of East London Solutions and will ensure that quality is maintained through the use of a standard service specification and continued monitoring.

- 5.17 For all proposals agreed, Cabinet is asked to note that officers will begin implementation of the savings to ensure the full reduction is achieved in 2012/13 including issuing letters to affected staff advising them that they are at risk of redundancy with effect from 22 December 2011 (the expiry of the call-in period).
- 5.18 Based on the current net budget gap of £8.798m and the additional savings identified of £9.883m, there was £1.085m more available in savings proposals than we are required to save. Adjusting for savings proposals that have been withdrawn of £124k, savings options proposed for deferral of £200k and amended savings of £700k, this reduces the additional savings to £61k.
- 5.19 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

Medium Term Financial Strategy Pressures and Adjustments	2012/13 £'000	2013/14 £'000
MTFS Pressures (February 2011 Assembly)	16,550	11,315
MTFS Savings (February 2011 Assembly)	10,187	11,000
MTFS Budget Gap – February Assembly 2011	6,363	315
Service pressures and central adjustments (net)	2,435	3,700
Approved MTFS Budget Gap – October 2011	8,798	4,015
Additional Savings – October 2011 (before Select Committees)	(9,883)	(1,127)
Net Budget gap – October 2011 (surplus)	(1,085)	2,888
Savings withdrawn/deferred/amended	1,024	1,403
Revised Headroom (-) / Budget gap (+) following withdrawn proposals and savings to be deferred	(61)	4,291

5.20 In assessing the concerns raised about the savings proposals above, Members are requested to note that the funding for 2012/13 is yet to be confirmed by central government. In addition, the DfE have yet to announce the Academies top slice for 2012/13.

6. Savings proposals for 2012/13 to 2014/15

- 6.1 Taking into account the savings of £10.187m agreed at the February 2011 Assembly; total savings of £20.070m have been identified for 2012/13. Taking into account of all the adjustments recommended in this report, this leaves a headroom figure of **£61k**.
- 6.2 Members are advised to take into account that the final funding settlement has not yet been announced for 2012/13 and further pressures may emerge, e.g. levies and other Government announcements which normally come through between December and February.
- 6.3 Savings identified for 2013/14 total £12.127m, including pre-agreed savings at February Assembly 2011 and savings of £739k for 2014/15 have been identified. Following the Select Committee process, £1.403m savings have been withdrawn or deferred. This reduces the savings identified for 2013/14 to £10.724m.
- 6.4 As there remains a budget gap for 2013/14 of £4.291m, 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.
- 6.5 Table 5 below illustrates the total savings achieved by each department, including the February 2011 Assembly agreed savings.

Table 5 – Total Savings by Department

Total Savings Identified (including Feb 2011 Assembly Agreed)				
	2012/13 £'000	2013/14 £'000	2014/15 £'000	3 Year Total
Feb 2011 Approved:	10,187	11,000	0	21,187
Additional Savings	9,883	1,127	739	11,749
Total Savings identified	20,070	12,127	739	32,936
Savings withdrawn/deferred/amended (table 3)	1,024	1,403	50	2,223
TOTAL	19,046	10,724	689	30,459
Departmental break down of Total Savings:				
Adult and Community Services	3,512	2,714	314	6,494
Children's Services	3,510	1,558	250	5,318
Customer Services	2,111	178	9	2,298
Finance and Resources	2,591	1,120	0	3,769
Chief Executive's	2,322	154	116	2,592
Corporate	5,000	5,000	0	10,000
TOTAL	19,046	10,724	689	30,459

7. Council Tax Base for 2012/13

- 7.1 The Council Tax base for 2012/13, after taking into account of a 3% loss in collection is calculated at 53,086.9. This is an increase of £369k compared to last year's Council Tax income. A separate report detailing the Council Tax Base for 2012/13 is elsewhere on this agenda.

8. Proposed Budget for 2012/13 to 2014/15

- 8.1 The estimated budget requirement for 2012/13 is approximately £174m, which is a reduction of £9m on the £183m for 2011/12. This reduction has mainly arisen as a result of funding cuts announced on the Formula Grant and Specific Grants.
- 8.2 At the time of writing the report, the final funding allocations are yet to be announced by Government. Therefore, there will be an element of uncertainty in the funding levels presented in the MTFS for 2013/14 and 2014/15.
- 8.3 Members are requested to note that additional service pressures, increased cost of capital investment and low interest rates affecting the Council's treasury strategy, as well as further policy changes will impact on the budget gap over the last the last two years of the Spending Review period. It is our intention to update Members on the budget gap for 2013/14 and 2014/15 when the Government has been clearer about the settlement figures.

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

Medium Term Financial Strategy Pressures and Adjustments	2012/13 £'000	2013/14 £'000
MTFS Pressures (February 2011 Assembly)	16,550	11,315
Service pressures and central adjustments (net)	2,435	3,700
Budget Gap	18,985	15,015
Savings Identified	(20,070)	(12,127)
Budget Gap as at October 2011	(1,085)	2,888
Savings withdrawn/deferred/amended (table 3)	1,024	1,403
Remaining Budget Gap/(Headroom)	(61)	4,291

- 8.4 This report requests Members formally to agree to the saving proposals put forward in respect of 2012/13 to 2014/15. These will be factored into the main Budget Framework report for 2012/13 which will be presented to Cabinet and Assembly in February 2012.
- 8.5 A summary of the MTFS as at 31 October 2011 is at Appendix C.

9. The Housing Revenue Account

- 9.1 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.
- 9.2 For Barking and Dagenham, over a 10 year period the net surplus available will be £49.2m. This is the net figure, taking into account £383.7m for capital needs, the cost of borrowing, new builds and estate renewals.
- 9.3 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 in line with Government policy. 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.
- 9.4 The detail of the financial settlement for the HRA and the 30 year business plan, with all the underpinning financial modelling and assumptions, will be presented to Cabinet in February.

10. Capital Strategy

- 10.1 The Council has an agreed capital programme which is approved annually at Assembly and updated throughout the year at Cabinet as part of the monitoring reports. Over the next three years, the approved programme and funding is:

Table 7 – Capital programme by Department over three years

Department	2011/12 £000	2012/13 £000	2013/14 £000	Total £000
Adult & Community Services	14,246	666	81	14,993
Children's Services	67,710	15,020	384	83,114
Customer Services	49,938	1,643	0	51,581
Finance & Resources	18,455	18,591	0	37,046
Total	150,349	35,920	465	186,734

Table 8 – Sources of Finance for Capital Programme over three years

Source of Finance:	2011/12 £000	2012/13 £000	2013/14 £000	Total £000
External funding (mainly grants)	81,651	13,559	0	95,210
Major Repairs Allowance	16,950	0	0	16,950
Section 106	3,712	925	0	4,637
Leaseholder contributions	698	0	0	698
Prudential borrowing	47,338	21,436	465	69,289
Capital receipts	0	0	0	0
Total	150,349	35,920	465	186,734

- 10.2 As part of developing the capital strategy, a number of schemes and funding sources have been identified to meet the Council's priorities. As part of this, the Council will look to build new houses and improve the existing housing stock by accessing external funding. Similarly, government grant monies will be utilised to provide additional school places across the borough.

- 10.3 Within the Council's MTFs, a budget provision was approved by Members last year of £1m to fund urgent capital schemes or to fund prudential borrowing. This £1m will provide approximately £11m in additional to other small amounts of capital resource e.g. capital receipts, to potentially meet the costs of schemes such as highways improvements, ICT replacement, building maintenance, the capitalisation of redundancy costs.
- 10.4 The Council is yet to receive full details of the capital funding for schools which we are expecting in December 2011. Once this has been received, the full capital strategy will be presented to Members.

11. Financial Implications

- 11.1 Financial implications have been covered throughout the report.

12. Legal Implications

- 12.1 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.
- 12.2 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.

13. Equalities Impact Assessment

- 13.1 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 from the 8 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.
- 13.2 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.
- 13.3 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 the equality groups.

13.4 The eight equality groups are:

- Men, women and transgender people
- People from black and minority ethnic groups
- Disabled people
- Old and young people
- Lesbian, gay and bisexual people
- People with different religions and beliefs and those of no belief
- Pregnant women and new mothers
- People who are socio-economically disadvantaged

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

13.5 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

13.6 A schedule of the Equalities Impact Assessments (EIA) is provided in Appendix E.

13.7 EIAs have been carried out on all of the proposals. Of these there are 114 negative impacts and 25 positive impacts on particular equality groups. Of the proposals, 38 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	No impact
Age	20	4	46
Disability	15	6	49
Socio-economic	15	3	52
Gender	14	2	54
Staff	13	0	57
Race	11	2	57
Religion and Belief	8	1	61
Cohesion	7	0	63
Sexual Orientation	5	2	63
Other	5	4	61
Pregnant and nursing mothers	1	1	68
TOTAL	114	25	

13.8 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.

13.9 Mitigation

Of the 32 proposals with at least one possible negative impact identified, 30 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 introduce charges for internet use in libraries has been identified as having a potential negative impact on older people, younger people and those on low incomes. This has been mitigated by including the recommendation that:

“A charge will not be made for use by LBBB residents who are under 19 and over 59. Also the pricing tariff has been kept to a low level to minimise impact on adults on low incomes.”

13.10 Conclusion of the EIA:

The overall impact of the proposed savings may have a disproportionately negative impact on younger and older people in the borough. There will also be particular impact on people with lower incomes, women and disabled people. These are groups who already suffering the impact of cuts by national government and other agencies. In particular, recent research has highlighted the impact of cuts nationally on women, such as UNISON Factsheet 21; Women and public spending cuts, and <http://fawcettsociety.org.uk> The impact of saving cuts by the Council will therefore have a particular, further cumulative impact on women in the borough. In addition, a significant majority of older people who access Council services are women, meaning that there is a further added impact to women from the cuts identified as impacting older people.

13.11 Disabled people are 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.

13.12 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.

13.13 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.

13.14 However, the majority 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.

13.15 There are some positive impacts, such as the more flexible provision of home care, which may benefit lesbian and gay residents, or the positive impact on carers and people with disabilities to the changes to short break provision. Overall, the potential, substantial particular impacts on equalities groups have been mitigated through the choice of the proposals given, and the design of the proposals as described.

13.16 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”¹.

13.17 In considering the savings proposals, Cabinet should take into account:

- The cumulative impact of the combined proposals on residents from the 8 equality groups
- 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

14. Other Implications

14.1 **Risk Management** – In addressing the funding gap for 2012/13, 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.

14.2 **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.

14.3 **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 2012/13 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.

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.

14.4 **Customer Impact** – The freezing of Council Tax at 2010/11 levels is designed to minimise the financial impact on our 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 our customers (see section 13). Extensive consultation has also taken place (see section 5). Front line services have been

¹ 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

protected as far as possible, but some cuts to front line services have been unavoidable.

- 14.5 **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.

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 early intervention 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.

- 14.6 **Health Issues** – The direction of travel outlined in the report is underpinned by the Joint Strategic Needs Assessment 2011. The emphasis on a more asset based approach to health and wellbeing may bring a greater sense of optimism particularly as it is focussed on creating greater community resilience, education, sustainable housing and promoting social cohesion. The challenge of the ‘fast moving’ demographic change and the impact of work capability assessment and other universal benefits are clearly going to be significant. This will require the need for constant health impact assessment to ensure the most effective use of resource to deliver improved population health and well being outcomes.

The changes outlined for the local NHS in North East London and through the shadow public health grant will need to be further impact assessed in the New Year to inform the direction of the Health and Wellbeing Strategy. In particular there are anticipated increased costs for Children’s services and Adult Social Care such as continuing and integrated care programmes.

- 14.7 **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.

The decision by Cabinet to retain the Community Safety Co-ordinators will have a positive impact in terms of crime and disorder in that it is this team who deliver neighbourhood crime reduction initiatives jointly with local Safer Neighbourhood Policing Teams, this work and the work to support communities will therefore continue. The budget reductions and restructures within Community Safety and Public Protection will have no negative impact in terms of front line delivery but will see a more co-ordinated approach to commissioning and treatment services for drug and alcohol service users.

The Council has further worked to ensure that Children's Centres, youth services and diversionary activities are protected from further cuts and therefore this work which underpins the offer for families, parents and young people, particularly those at risk of offending will continue.

Reducing community facilities and provision for community groups may well adversely impact in terms of cohesion but the recommendations in the report which have been detailed will seek to mitigate the risk.

14.8 **Property / Asset Issues** – There are no direct property/asset issues arising from this report.

Background Papers Used in the Preparation of the Report:

Assembly Budget Framework report – February 2011

List of appendices:

Appendix A - Staff and Trade Union consultation responses

Appendix B - List of Saving Proposals

Appendix C - Medium Term Financial Strategy Summary

Appendix D - HRA Business Plan

Appendix E - Equalities Impact Assessments

Appendix F - Specific comments of Select Committees and Proposed Outcome