**Title:** Budget Process 2013/14

**Report of the Chief Finance Officer**

<table>
<thead>
<tr>
<th>Wards Affected: All</th>
<th>Key Decision: Yes</th>
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**Report Author:** Jonathan Bunt, Chief Finance Officer

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**Accountable Divisional Director:** Jonathan Bunt, Chief Finance Officer

**Accountable Director:** N/A

**Summary:**

This report sets out

- The Medium Term Financial Strategy at a two year summary level,
- The impact of the Local Government Finance Settlement,
- The proposed level of Council tax for 2013/14.

The purpose of this report is to enable the Public Accounts and Audit Select Committee to scrutinise the budget proposals in advance of final approval by Assembly on 25 February 2013.

**Recommendation(s)**

Members are requested to note the content of the report and comment on the proposed budget for 2013/14. Feedback from the committee will be presented to Cabinet on the 12 February 2013.

**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.

### 1.0 Introduction and Background

1.1 The purpose of this report is to propose the medium term financial strategy 2013/14 - 2014/15, the budget for 2013/14 and Council Tax for 2013/14, which will be referred to Cabinet on 12 February 2013 and then onto Assembly for consideration on 25 February 2013.
### Medium Term Financial Strategy and Finance Settlement

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

- Statutory and economic climate issues
- Previous member decisions
- Future investment
- Actions to ensure a robust budget
- Changes in funding

**Table 1 – A Table Showing the Changes Built into the MTFS Since December’s Cabinet Meeting**

<table>
<thead>
<tr>
<th>Description</th>
<th>2013/14 £000</th>
<th>2014/15 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Gap / (Headroom) Presented at December Cabinet Meeting</td>
<td>(719)</td>
<td>5,951</td>
</tr>
<tr>
<td>Funding Changes resulting from December’s Finance Settlement</td>
<td>(1,632)</td>
<td>3,797</td>
</tr>
<tr>
<td>Contribution to the Collection Fund Equalisation Reserve</td>
<td>860</td>
<td>(450)</td>
</tr>
<tr>
<td>End of Housing Tenancy Grant Funded Expenditure Due to Ceasing of Grant</td>
<td>(100)</td>
<td>-</td>
</tr>
<tr>
<td><strong>In year budget gap</strong></td>
<td>(1,591)</td>
<td>9,298</td>
</tr>
<tr>
<td>Roll-forward of previous year’s surplus</td>
<td>-</td>
<td>(1,591)</td>
</tr>
<tr>
<td><strong>Overall budget gap</strong></td>
<td>(1,591)</td>
<td>7,707</td>
</tr>
</tbody>
</table>

**2.2** Explanations for the three changes to the MTFS are provided below:

1. The funding changes resulting from December’s finance settlement are shown in detail in table 2 (£1,632k);

2. Council Tax and business rates income is based on estimates and therefore actual income varies from budgeted income. To offset the increased risk of lower actual income due to localisation of Council Tax benefit and business rates some of the additional Council Tax and business rates income is being used to create a reserve (£860k);

3. The Government announced that the Housing Tenancy Grant would cease from 2013/14. The funding was to be used to increase resources in the tenancy investigation team but this expenditure has now been removed and the reduction in income is included in the funding changes (£100k).
Table 2 – A Table Showing the Impact of the Finance Settlement on the MTFS

<table>
<thead>
<tr>
<th></th>
<th>2013/14 £000</th>
<th>2014/15 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in Formula and Specific Grant</td>
<td>(30)</td>
<td>3,871</td>
</tr>
<tr>
<td>Council Tax Freeze Grant 2013/14</td>
<td>(145)</td>
<td></td>
</tr>
<tr>
<td>Council Tax</td>
<td>(183)</td>
<td>204</td>
</tr>
<tr>
<td>Weekly Collection Grant</td>
<td>(136)</td>
<td>-</td>
</tr>
<tr>
<td>New Homes Bonus Grant</td>
<td>(278)</td>
<td>(278)</td>
</tr>
<tr>
<td>Council Tax Surplus From Prior Years</td>
<td>(450)</td>
<td>-</td>
</tr>
<tr>
<td>Business Rates Surplus</td>
<td>(410)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total MTFS Funding Changes</strong></td>
<td><strong>(1,632)</strong></td>
<td><strong>3,797</strong></td>
</tr>
</tbody>
</table>

2.3 A reduction in government funding over the next two years totalling £15.9m has significantly contributed to the 2014/15 budget gap of £7.7m. However, the government is still to announce the final funding arrangements for schools which could change the position. The government has said it will make the announcement in early 2013.

3.0 2013/14 Proposed Revenue Budget and Council Tax

3.1 The 2013/14 budget has been set starting from the 2012/13 original budget and adjusted for previously agreed decisions and future changes included in the MTFS.

3.2 Council Tax for 2013/14 is proposed to remain at the current level (£1,016.40 for Band D). This will maintain Council Tax at the same level for the fifth year in succession. The proposed Council Tax base for 2013/14 is 39,955.66 and would provide income of £40.6m (£1,016.40 x 39,955.66).

3.3 The Mayor of London is proposing a reduction of £3.72 in the GLA precept for 2013/14 to £303.00 (for Band D).

3.4 For local authorities that choose to freeze their Council Tax in 2013/14 the government will award a grant in 2013/14 and 2014/15 to compensate for the loss of income. For the Council the grant will be £545k in both years and has been included in the MTFS.

4.0 Capital Programme

4.1 The Council is required to review its capital spending plans each year and set an affordable capital programme. A key consideration when setting the programme is the projected level of available capital resources and how best to distribute them to achieve corporate goals. It is updated on an annual basis and is part of the Medium Term Financial Strategy.
4.2 For 2013/14 a Capital Programme of £179m is anticipated. Due to the current economic climate borrowing to fund capital expenditure has been kept to a minimum with the Council seeking to generate alternative sources of funding through grants and capital receipts.

4.3 In order to be added to the capital programme, any new projects need to obtain Cabinet approval by following the Capital Programme Monitoring Office (CPMO) process. The CPMO process ensures a robust financial assessment of the project is undertaken.

**Chart 1 – A Pie Chart Showing the Breakdown of Expenditure in the 2013/14 Capital Programme Totalling £148m**
5.0 Budget Savings Options Appraisal

5.1 In order to address the budget gap, Members and officers have worked hard to identify savings options which, whilst protecting core services, enables the Council to set a robust balanced budget. A detailed list of savings options can be found in appendix A.

5.2 The savings proposals were presented to Select Committees and consulted on with the public, giving Members and residents the opportunity to scrutinise and question Cabinet Members to the detail behind the savings.

5.3 Cabinet reviewed all the feedback from the Select Committees and formed decisions on which savings options to approve or reject following further consultation at the December meeting. The savings that were adjusted/rejected as part of this process can be seen in Appendix A.

6.0 Public Consultation

6.1 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.

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

6.3 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.

6.4 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.

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

• Deletion of the green waste service (now reinstated);
• 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.

7.0 Financial Implications

7.1 Financial implications have been covered throughout the report.

8.0 Legal Implications
By Paul Feild Corporate Governance Lawyer
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8.1 A local authority is required under the Local Government Finance Act 1992 to produce a ‘balanced budget’. The current budget setting takes place in the context
of significant and widely known reductions in public funding to local authorities. Where there are reductions or changes in service provision as a result of changes in the financial position the local authority is free to vary its policy and consequent service provision but at the same time must have regard to public law considerations in making any decision lawfully as any decision eventually taken is also subject to judicial review. Members would also wish in any event to ensure adherence as part of good governance. Specific legal advice may be required on the detailed implementation of agreed savings options. Relevant legal considerations are identified below.

8.2 Whenever there are proposals for the closure or discontinuance of a service or services, there will be a need for appropriate consultation, so if savings proposals will affect staff then it 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.

8.3 If at any point resort 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

8.3 In relation to the impact on different groups, it should be noted that the Equality Act 2010 provides that a public authority must in the exercise of its functions have due regard to the need to eliminate discrimination and to advance equality of opportunity between persons who do and those who do not share a relevant ‘protected characteristic’. This means an assessment needs to be carried out of the impact and a decision taken in the light of such information.

9.0 Other Implications

10.0 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.
10.1 **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.

10.2 **Staffing Implications** – 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. Appropriate HR policies and procedures around implementing change will be followed. The Council remains committed to minimising compulsory redundancies where possible. We have issued HR1 and S188 letters to advise of the potential of a significant number of redundancies.

10.3 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.

10.4 **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.

10.5 **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.

10.6 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.

10.7 **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.

10.8 **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. Additionally the continued reduction in posts across various areas of the Council may result in increased health and safety management risks within the borough.
Background Papers Used in the Preparation of the Report:

Cabinet Budget Strategy Report – December 2012

List of appendices:

Appendix A – Detailed List of Savings