

CABINET

16 December 2014

Title: Budget Strategy 2015/16	
Report of the Cabinet Member for Finance	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Summary: This report focuses on: <ul style="list-style-type: none">• A summary of the national funding position and the provisional finance settlement;• The Medium Term Financial Strategy and a three year summary level financial model for the Council;• The current net budget gap for 2015/16 and 2016/17 of £38.5m, although this may change significantly when the government announces the finance settlement;• The savings proposals for 2015/16 and 2016/17;• The outcomes of the budget consultation process with recommendations being made for reconsideration of savings and the commensurate impacts. 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 2015. Members are requested to note that at the time of writing this report, the final funding settlement is yet to be confirmed by the relevant Government departments and figures stated within this report may therefore change.	
Recommendation(s) The Cabinet is recommended to: <ul style="list-style-type: none">(i) Note the amendments to the consulted savings proposals as set out at Appendix A to the report;(ii) Approve the revised saving proposals that have been through consultation as set out in Appendix B to the report;(iii) Approve the additional saving proposals for management implementation as set out in Appendix C to the report;(iv) Approve the additional saving proposals that were presented to the Public Accounts	

and Audit Select Committee on 2 December as set out in Appendix D to the report;

- (v) Approve the draw down from reserves required to deliver a balanced budget in 2015/16 and 2016/17;
- (vi) Approve the draw down from reserves required to fund the investment needed to deliver the savings proposals, as detailed in paragraph 4.7 of the report; and
- (vii) Approve the end of the Local Emergency Support Scheme from 2015/16 following withdrawal of Central Government funding for the service as detailed in paragraph 2.4 of the report or agree a further allocation from reserves for a revised scheme to be delivered.

Reason(s)

The setting of a robust and balanced budget for 2015/16 will enable the Council to deliver the priorities and provide required services within its overall corporate and financial planning framework.

1.0 Introduction and Background

- 1.1 In March 2014, the Chancellor of the Exchequer made his 2014 Budget announcement. In line with previous announcements, Budget 2014 confirms that government expenditure will continue to fall at the same rate as over the current Parliament.
- 1.2 By the end of the current parliament the Council will have made over £90m of savings. Based on Budget 2014 it is likely this scale of savings will be required over the next three years.
- 1.3 The purpose of this report is to set out the high level revenue budgets and savings proposed for 2015/16 and 2016/17, within the context of the government funding reductions. Due to the general election in May 2015, this report focuses on delivering a two year budget with 2017/18 to be considered once the national agenda is set by a new parliament.
- 1.4 This report focuses on the Council's General Fund which is one of the main accounts that the authority 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.
- 1.5 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:

- 1.5.1 **Dedicated Schools Grant (DSG)** – The DSG is a ring fenced grant and must be used in support of the Schools' Budgets. The Chief Finance Officer is required to confirm final deployment of the DSG in support of the Schools' Budgets in connection with the section 251 outturn statement.
- 1.5.2 DSG is split into three separate unringfenced blocks:
- A schools block which is intended to fund individual school budgets, and calculated based on all pre-16 school age pupils;
 - An early years block which funds pre-school education in all settings, calculated based on all nursery age pupils;
 - A high needs block which funds special schools and all non-mainstream educational functions (including top ups to schools for individual pupils with additional or special educational requirements). This is based on historic 12-13 spend on high needs pupils in school and Further Education (FE) Colleges, plus £10k for growth places
- 1.5.3 **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.
- 1.5.4 **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 realised capital growth, interest and dividends on the fund's investments. This fund is also managed as a completely separate account and does not interact with the Council's other accounts.
- 1.5.5 **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.

2.0 National Context

- 2.1 The Local Government Finance Settlement 2015/16 technical consultation was published in July 2014 by the Department of Communities and Local Government (CLG). This gave detailed funding information for each Council which has been fed through into the Council's Medium Term Financial Strategy and savings requirement.
- 2.2 Past 2015/16, no detailed information on how government funding reductions will impact local authorities is available. Based on announcements in Budget 2014 and

analysis from London Councils, an assumed funding reduction has been included in the budget for 2016/17. The actual reductions could be significantly different due to uncertainties such as:

- How total government spending reductions impact individual government departments (e.g. protection for Health and overseas aid);
- The termination of Council Tax Freeze Grants;
- Changes to the New Homes Bonus;
- Impact of a new Parliament;
- Schools transferring to Academies, reducing the Education Services Grant.

2.3 Although recent economic forecasts have shown a stronger than predicted recovery for the UK there has been no indication from government that planned funding reductions will be scaled back, as the government aims to return the Country to surplus by 2018/19.

Table 1 – Funding changes (2014/15 to 2016/17). This illustrates the level of funding reductions the Council is currently estimating based on the announcements from government and analysis from London Councils.

Funding Source	2014/15 £000	2015/16 £000	2016/17 £000
Revenue Support Grant	96,656	79,465	71,310
Specific Grants	859	1,658	574
Education Services Grant	4,871	3,671	3,671
New Homes Bonus Grant	3,234	3,038	3,038
Council Tax Freeze Grant 14/15	545	545	-
Benefits Administration Grant	1,835	435	435
Weekly Collection Grant (Refuse)	417	-	-
Government Funding	108,417	88,812	79,028
Council Tax Precept	41,187	42,627	43,427
Retained NNDR Income	16,472	16,942	16,942
NNDR Pooling Gains	-	300	700
Council Tax Surplus	1,067	-	-
Business Rates Deficit	(1,823)	-	-
Local Funding	56,903	59,869	61,069
Total Funding	165,320	148,681	140,097
Reduction	-	16,639	8,584

2.4 In addition to the reduction in central grants, Central Government is also ending the Welfare Provision Grant from 2015/16. The Council received £915k in respect of this grant in 2014/15 and this was used to fund the Local Emergency Support Scheme.

2.5 The Local Emergency Support Scheme aims to help low income residents living in the borough during times of extreme hardship and need. The scheme operates a local fund to provide crisis payments and community care support payments for eligible residents to help ease severe financial pressures, provide emergency travel payments and prevent serious risk to the health and safety.

2.6 As funding is no longer provided for this service Cabinet is asked to approve the end of the scheme from 2015/16 or to consider an allocation from reserves to enable a revised scheme to be delivered for 2015/16.

3.0 Budget Gap for 2015/16 and 2016/17

3.1 In February 2014, Assembly approved the budget for 2014/15 which included a £1m contribution from reserves. This gap is carried forward into 2015/16.

3.2 In addition to the gap carried forward from 2014/15 and funding reductions there are also service pressure that further widen the gap. The changes to the budget gap since October's Cabinet are show below.

Table 2 – Changes to the Medium Term Financial Strategy since October

Medium Term Financial Strategy Pressures and Adjustments	2015/16 £000	2016/17 £000
Budget gap present to Cabinet in October 2014	24,566	14,499
Increase in the London Living Wage	500	-
Higher East London Waste Authority levy	200	-
Additional cost of a full time Chief Executive	100	-
Growth in the Council Tax Base	(640)	-
Investment property income transferring from the HRA	(700)	-
Revised Budget gap	24,026	14,499
Cumulative 2 year budget gap		38,525

3.3 As a result of the service pressures and funding reductions savings of £38.5m are required over the next two years, with the largest amount required next year.

4.0 Savings proposals for 2015/16 and 2016/17

4.1 In October Cabinet approved savings of £15.6m savings over the next two years and £18.9m of savings to go out for consultation. During the consultation process proposed amendments have been made to some of the original £18.9m of savings and are detailed in appendix A. As noted in section 1, the focus is now on delivering an agreed two year budget and therefore the savings recommended are for 2015/16 and 2016/17.

4.2 The proposed amendments reduce the original savings by £3.2m to £15.7m over the next two years. Cabinet is asked to approve the revised savings schedule at appendix B.

4.3 Although the savings presented to Cabinet in October totalled £34.5m there still existed a budget gap of £4.1m over the next two years. Work has been ongoing to address this, with emphasise on achieving a balanced budget for the next two years.

4.4 Additional savings requesting Cabinet approval totalling £1.7m are shown in appendix C. Further proposals were also presented to the Public Accounts and Audit Select Committee for consideration in December 2014 totalling £3.6m over

two years and are shown in appendix D. Following scrutiny these proposals have been revised down by £0.2m

- 4.5 Considering all of the proposals and amendments across appendices A – D, if approved by Cabinet, there remains a gap of £2m across the two years and would result in a contribution from reserves of £2.6m. The revised budget position is shown in the following table.

Table 3 – Revised Budget Position

	2015/16 £000	2016/17 £000	Total £000
Current budget gap (table 2)	24,026	14,499	38,525
Savings approved by Cabinet Oct 14	(11,318)	(4,304)	(15,622)
Savings – Consultation required	(12,459)	(6,422)	(18,881)
Additional Cabinet savings (Appendix C)	(1,537)	(120)	(1,657)
Additional savings presented to PAASC (Appendix D)	(1,434)	(2,119)	(3,553)
Sub Total	(2,722)	1,534	(1,188)
Savings amendments post Oct (Appendix A)	3,047	110	3,157
Savings amendments post December PAASC (Appendix D)	182	-	182
Revised budget gap / (surplus)	507	1,644	2,151

- 4.6 Since Cabinet on 7 October 2014 it has been necessary to make amendments to some of the savings proposals as part of the consultation process. The amendments for the original savings proposals and the additional proposals are set out in appendix A. It is recommended to meet the remaining budget gap from Council reserves.
- 4.7 Cabinet are asked to approve the additional savings at appendix C and appendix D.
- 4.8 To achieve some of these savings initial investment of £6.2m is required as detailed in the following table.

Table 4 – Investment Required for Savings

Reference	Savings Proposal	Investment required £000
ACS/SAV/06a	Personalisation of Learning Disability Day Services	41
ACS/SAV/27	Valence and Thames View libraries – community management	50
ACS/SAV/36	Options appraisal for leisure and cultural services	100
CEX/SAV/22	Look to provide employee relations advice in a different way	30
CEX/SAV/56	B&D Direct - Customer Services Channel Shift	670
CEX/SAV/58	Withdrawal of the Benefits Direct service at One Stop Shops.	30
CEX/SAV/60	Automation of Inbound Email/Post Processing	445

CEX/SAV/63a	ICT End User Technologies	377
CEX/SAV/63b	ICT Service Management fulfilment	770
CEX/SAV/63c	ICT Infrastructure Applications	1,100
CEX/SAV/70	Revenues Services Restructure	110
CEX/SAV/60	Automation of Inbound Email/Post Processing	20
HGF001	Expand Council hostel portfolio to accommodate temporary placements instead of using expensive B&B accommodation.	2,000
Contingency	Other invest to save proposals where financial impact is unquantified	500
Total		6,243

4.9 It is proposed to fund these from reserves and the impact of this is shown on the following table.

Table 5 – Projected Level of Reserves

	£000
Estimated General Fund Balance 31 March 2015	26,094
Available other reserves	7,127
Total Available Reserves	33,221
<u>Calls on Reserves:</u>	
Implementation of savings proposals	(6,243)
Budget Gap 2015/16	(507)
Budget Gap 2016/17	(2,658)
Remaining Available Reserves	23,813

4.10 This would still maintain the General Fund reserve above the recommended minimum of £15m and Cabinet are asked to approve the transfer from reserves to fund these savings.

5.0 Public Consultation

5.1 On 21 October, the Council published, on its website, savings proposals for 2015/16 and beyond that required consultation, and sought comments as part of a budget consultation exercise which was promoted widely via social media, through stakeholder and user groups, and by the media. The consultation ran until 27 November and involved:

- Five select committees;
- Six public meetings across the borough;
- Meeting with voluntary sector and community groups;
- Partners and providers notified of proposals;
- Feedback to budget@lbbd.gov.uk;
- Consultation with staff on all proposals;

- Formal consultation with staff and trade unions for restructures;
- All consultation responses and equality impact assessments collated to inform decision making.

5.2 Over 80 residents attended the public meetings and expressed their views on specific savings proposals and services more generally. Each session was attended by the Leader, other Cabinet Members and senior officers. The key themes from these sessions were:

- Need to support the most vulnerable in the community including older people
- Concern over proposed reduction to street cleaning
- Concern over potential reduction in green waste collections
- Some support for increased parking charges, if the first hour was free to support shopping locally, and Controlled Parking Zones particularly near new developments
- Concern over school crossing patrols stopping and children's safety if there is no alternative funding
- Concern over the proposal to close the Maples but understanding of the benefit of personal budgets
- How residents could do more through volunteering and supporting each other or looking after their area e.g. not dropping litter
- Concern about reductions in funding to the voluntary sector and whether local organisations would be able to bid to run services
- Concern about what young people would do locally if the youth service was reduced
- Residents did not mind how many or which buildings the Council worked from but did want to protect children's centres and libraries
- Some concern at losing one stop shops, possible call charges and less face to face contact but the idea of community hubs was welcomed
- Being able to access more services online was welcomed but support may be needed for some groups e.g. older people
- Some residents would consider a Council Tax increase to protect frontline services.

5.3 Partners and other stakeholders were given the opportunity to participate in the public consultation either by attending and asking questions at the Select Committees, which many did, through the voluntary sector consultation meeting hosted by the CVS with over 60 representatives from local organisations attending, and directly through discussions with Directors and Cabinet Members. Many also provided written feedback online which has informed the final proposals and decisions.

5.4 Council staff also had the opportunity to hear about the budget challenge and ask questions of the Leader and Chief Executive at five briefings. In addition formal consultation on specific savings proposals impacting on staff including restructures have and continue to take place separately. Support that is available to staff has been publicised widely internally so that anyone requiring assistance can access it. Trade unions have also been consulted throughout the process and attended both the Select Committees and staff briefing sessions.

6.0 Select Committees

6.1 Each Select Committee considered the savings proposals most relevant to their remit and were invited to scrutinise them. Members of the committee were asked to indicate whether they were in support of the proposal, in support with recommendations or alternative suggestions or not in support.

Table 6 - Summary Level Position by Committee

Select Committee	Supported £000	Supported with recs £000	Not supported £000	Total £000
Public Accounts & Audit	3,759	3,046	2,010	8,825
Living & Working	212	1,914	1,277	3,403
Children's Services	905	50	3,553	4,508
Health & Adult Services	2,140	-	1,015	3,155
Safer & Stronger Community	749	1,794	-	2,543
Total	7,765	6,804	7,855	22,434

6.2 The impact of these recommendations on the budget position for 2015/16 and 2016/17 is shown in the following table.

Table 7 – Impact of Select Committee Recommendations

Medium Term Financial Strategy Pressures and Adjustments	2015/16 £000	2016/17 £000	Total £000
Remaining Budget Gap / (Surplus) – (Table 3)	(2,722)	1,534	(1,188)
Proposals not supported by Select Committees	4,720	2,968	7,688
Revised Budget Gap	1,998	4,502	6,500

6.3 Details of the Select Committees' comments on each saving is available in the appendices to this report:

- Appendix E – Children's Services Select Committee Comments;
- Appendix F – Health and Adult Services Select Committee Comments;
- Appendix G – Living and Working Select Committee Comments;
- Appendix H – Public Accounts and Audit Select Committee Comments;
- Appendix I – Safer and Stronger Community Select Committee Comments.
- Appendix J – Additional Savings Public Accounts and Audit Select Committee Comments

7.0 Financial Implications

7.1 Financial implications have been covered throughout the report.

7.2 There are a large number of savings proposals for which the implementation will have to be monitored closely to ensure delivery in line with the budget assumptions. Across such a high number and high value of savings, some variation is probable and will it be the responsibility of officers to ensure the budget remains in balance overall. The Council's budget will continue to be monitored and reported regularly to Cabinet with any required actions should in year financial pressures be identified.

8.0 Legal Implications

Implications provided by: Paul Field, Senior Corporate Governance Solicitor

8.1 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.

8.2 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 a resort to constricting expenditure is required, it is essential 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 either be fulfilled or varied with agreement of current providers;
- any legitimate expectations that persons already receiving a service (that is earmarked for reduction) 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 that 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 following a statement of special educational needs;
- the impact on different groups affected by any changes to service provision as informed by relevant equality impact assessments;
- the response to any consultation undertaken.

9.0 Equalities Impact Assessment

9.1 The Council requires that each savings proposal being made should have an assessment of the likely particular impacts of the proposal on residents and staff from the eight protected equality categories. This helps to:

- Ensure our services are accessible to all and 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.

The protected characteristics 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

9.2 Each savings 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, and what mitigations have been made in developing the proposal, or would be put in place if adopted, to reduce any negative impacts identified.

9.3 All the Equality Impact Assessments (EIAs) were collated centrally and each service completed a cumulative impact assessment that has informed an overarching analysis of the potential impact of all the savings proposals on the community. In summary, the negative impacts are:

	Negative impact
Staff	39
Disability	23
Age (young people)	22 (+ * 4)
Other including socio-economic	21
Age (older people)	18
Race	15
Gender	12
Pregnant and nursing mothers	10
Religion and Belief	9
Sexual Orientation	8
*Care leavers (young people)	*4
TOTAL	181

9.4 Along with staff, the overall impact of the proposed savings may have a disproportionately negative impact on younger and older people as well as residents with disabilities. These are the equality groups who would experience cuts to services explicitly provided for them. The other equality categories would in a number of cases be affected, because they use a specific service more than the wider community. To some extent this is to be predicted as many Council services focus on serving the most vulnerable residents, and a large part of some areas of the Council's work, and largest proportion of the budget, 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. Due to the scale of the saving required this is unavoidable, however, of the proposals where there is a negative impact, 29 have identified actions that would mitigate this, Work is continuing within services to identify other ways of reducing any negative impacts.

10.0 Other Implications

10.1 **Staffing Implications** – It is estimated that the savings proposals put around 410 posts at risk over the three years beginning in 2015/16. Discussions with the Trade Unions on the specific impact of the savings proposals for have already begun. For each individual savings proposal agreed by Cabinet to go forward to consultation, where there is an impact on staff, consultation will take place with the staff affected. Our "Support for Staff in Tough Times" programme is being strengthened to reflect the challenges we face.

10.2 Should the savings proposals be agreed after consultation, we will follow the appropriate HR policies and procedures around implementing change. The Council remains committed to minimising compulsory redundancies where possible and will seek volunteers from the teams affected.

10.3 **Customer Impact** – The saving options have been subject to an assessment of equalities implications and consideration given to the extent of adverse impact on customers (see section 9 above). Front line services have been protected as far as possible, but some cuts to front line services have been unavoidable due to the scale of the savings required through reduced Government funding and increased demand on some services.

10.4 **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.

10.5 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.

10.6 **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.

- 10.7 **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:

None

List of appendices:

- Appendix A – Proposed Savings Amendments
- Appendix B – Revised Savings Proposals
- Appendix C – Additional Savings Proposals for Cabinet Approval
- Appendix D – Additional Savings Presented to PASSC
- Appendix E – Children's Services Select Committee Comments
- Appendix F – Health and Adult Services Select Committee Comments
- Appendix G – Living and Working Select Committee Comments
- Appendix H – Public Accounts and Audit Select Committee Comments
- Appendix I – Safer and Stronger Community Select Committee Comments
- Appendix J – Additional Savings Public Accounts and Audit Select Committee Comments