Title: Overview of Budget Process 2015/16

Report of the Chief Finance Officer

Open Report  
For Information

Wards Affected: All  
Key Decision: Yes

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Accountable Director: Jonathan Bunt, Chief Finance Officer

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 2015/16.

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 24 February 2015.

Recommendation(s)

Members are requested to note the content of the report and comment on the proposed budget for 2015/16.

Reason(s)

The setting of a robust and balanced budget for 2015/16 will enable the Council to provide and deliver services within its overall corporate and financial planning framework. The Medium Term Financial Strategy underpins the delivery of the Council’s vision of One borough; one community; London’s growth opportunity and delivery of the priorities within available resources.

1.0 Introduction and Background

1.1 The purpose of this report is to propose the medium term financial strategy 2015/16 to 2016/17, the budget for 2015/16 and Council Tax for 2015/16, which will be referred to Cabinet on 16 February 2015 and then onto Assembly for consideration on 24 February 2015.
2.0 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.

2.2 The MTFS is regularly updated based on the latest available information. In December 2014 a budget gap of £507k in 2015/16 and £1,644k in 2016/17 was reported to Cabinet as the latest MTFS forecast. Since then the position has changed and the movements are detailed in the following table.

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

<table>
<thead>
<tr>
<th></th>
<th>2015/16 £000</th>
<th>2016/17 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Gap Presented at December Cabinet Meeting</td>
<td>507</td>
<td>1,644</td>
</tr>
<tr>
<td>Changes in Funding (Table 2)</td>
<td>(2,412)</td>
<td>1,073</td>
</tr>
<tr>
<td>Pressures in Revenues</td>
<td>288</td>
<td>-</td>
</tr>
<tr>
<td>Increased investment in the capital programme</td>
<td>1,052</td>
<td>-</td>
</tr>
<tr>
<td>Revised Budget (Surplus)/Gap</td>
<td>(565)</td>
<td>2,717</td>
</tr>
</tbody>
</table>

2.3 Explanations for the three changes to the MTFS are provided below:

1. The funding changes following December’s finance settlement are shown in detail in table 2;

2. Due to higher collection rates for Council Tax and NNDR the income from recovery of court costs has fallen creating a pressure of £150k. Additionally, following the end of a business rates shared service arrangement with Havering a £138k shortfall has arisen;

3. Following a review of the capital programme and potential future bids it has been necessary to increase the level of investment in the programme. The overall investment for 2015/16 will still be £2.7m lower than budgeted in February 2014.

Table 2 – Changes in Funding Following the Finance Settlement

<table>
<thead>
<tr>
<th></th>
<th>2015/16 £000</th>
<th>2016/17 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Support Grant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specific Grants</td>
<td>395</td>
<td>86</td>
</tr>
<tr>
<td>Education Services Grant</td>
<td>371</td>
<td>300</td>
</tr>
</tbody>
</table>
A reduction in government funding over the next two years estimated at £28.8m has significantly contributed to the pressure on the budget. Consequently further large scale savings have been approved to close the budget gap as shown in the following table.

**Table 3 – Budget Pressures and Savings**

<table>
<thead>
<tr>
<th></th>
<th>2015/16 £000</th>
<th>2016/17 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Gap before Savings</td>
<td>22,954</td>
<td>15,572</td>
</tr>
<tr>
<td>Savings</td>
<td>(23,519)</td>
<td>(12,855)</td>
</tr>
<tr>
<td><strong>Final Budget Gap / (Surplus)</strong></td>
<td><strong>(565)</strong></td>
<td><strong>2,717</strong></td>
</tr>
</tbody>
</table>

### 3.0 2015/16 Proposed Revenue Budget and Council Tax

3.1 The 2015/16 budget has been set starting from the 2014/15 original budget and adjusted for previously agreed decisions and future changes included in the MTFS.

3.2 Council Tax for 2015/16 is proposed to increase by 1.99% (£20.27) to £1,036.67. This will be the first increase in seven years. The proposed Council Tax base for 2015/16 is 42,624.64 and would provide income of £44.2m (£1,036.67 x 42,624.64).

3.3 The Mayor of London is proposing a reduction of £4.00 in the GLA precept for 2015/15 to £295.00 (for Band D).

3.4 Councils who opt to freeze their Council Tax in 2015/16 will receive a grant from the government. However the grant is only worth an equivalent of a 1% increase in Council Tax and is not guaranteed after 2015/16.

### 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 MTFS.

4.2 For 2015/16 a Capital Programme of £152.4m 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 approval process. The process ensures a robust financial assessment of the project is undertaken.

Chart 1 – A Pie Chart Showing the Breakdown of Expenditure in the 2015/16 Capital Programme Totalling £152.4m

4.4 The £81.9m of HRA projects are funded by HRA revenue contributions. Schools and Education are all funded by grants. The remaining £3m is funded by £1.3m of grants, £0.9m of borrowing, £0.4m of revenue contributions and £0.4m of capital receipts.

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. Savings total £23.5m in 2015/16 and £12.9m in 2016/17. 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.
6.0 Public Consultation

6.1 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.

6.2 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.

6.3 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.

6.4 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.

7.0 Financial Implications

7.1 Financial implications have been covered throughout the report.

8.0 Legal Implications

Implications completed by Paul Feild, Corporate Governance Lawyer

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

8.4 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

9.1 Staffing Implications – The saving options have been subject to an assessment of
equalities and diversity implications and consideration given to the cumulative
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.

9.2 Customer Impact – The saving options have been subject to an assessment of
equalities and diversity implications and consideration given to the cumulative
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.

Background Papers Used in the Preparation of the Report:

None

List of appendices:

Appendix A – Approved Savings 2015/16 to 2016/17