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PORTFOLIOS AFFECTED: ALL

WARDS AFFECTED: ALL

**SUBJECT: REVENUE BUDGET 2012/13, MEDIUM TERM FINANCIAL STRATEGY
AND CAPITAL PROGRAMME 2012/2015**

1. PURPOSE

- 1.1 To recommend to Finance Council the Budget Strategy and the proposals for the Revenue Budget 2012/13, Medium Term Financial Strategy (MTFS) and Capital Programme for 2012/15 to underpin the priorities agreed at Policy Council on 1st December 2011.

2. RECOMMENDATIONS

- 2.1 That the proposals for the Revenue Budget for the financial year 2012/13 and the indicative MTFS for 2012/15 outlined in this report be approved.
- 2.2 That the proposals for the Capital Programme for the period 2012/13 to 2014/15 as outlined in this report be approved.
- 2.3 That the impact of fees and charges approved at the Executive Board meeting on 9th February 2012 on the budget proposals within the report be noted.
- 2.4 That approval is given for the Lead Directors for Portfolios in consultation with the relevant Executive Members and Director of Finance to have the flexibility and independence to set short term pricing/offers/charges in response to business needs during 2012-13.
- 2.5 That the Medium Term Financial Strategy 2012/15 be approved with the final version to be published incorporating the approved budget proposals.

- 2.6 That subject to recommendation 2.1 outlined above that the Council be requested to approve the consequent Council Tax levels detailed in the formal resolution of the Director of Finance's report.
- 2.7 That the Council approves the Pay Policy Statement prepared in accordance with the requirements of Section 38 of the Localism Act 2011, to have effect for the year 2012/13 unless replaced or varied by the Full Council, as set out in Appendix G.

3. BACKGROUND

- 3.1 As reported previously, the Comprehensive Spending Review (CSR) in October 2010 indicated, and the Local Government Finance Settlement in February 2011 confirmed, that there will be severe reductions in funding for the borough in the next few years. This was further confirmed in the Chancellor's most recent Autumn Statement in October 2011 that these reductions in funding would continue beyond the period of the current Spending Review, i.e. beyond 2014/15.

On 6th January 2011, at an Extraordinary Council meeting, Members considered and agreed Advance Budget Savings Proposals and a number of other options included in the recommendations to Council, which outlined the areas to be reviewed to deliver financial savings in 2011/12, 2012/13 and beyond.

Executive Board on 10th February 2011 considered an update on the latest position on the budget for 2011/12 and the Medium Term Financial Strategy (MTFS) 2011/15. It noted the position on the options for financial savings.

- 3.2 Finance Council on 7th March 2011 approved the budget strategy of the Labour Group for the next four years, the MTFS 2011/15 together with proposals for the 2011/12 Revenue Budget, Capital Programme 2011/15 and associated Council Tax level. This incorporated and reflected the strategic objectives and corporate priorities agreed at Policy Council in December 2010 and the Advance Budget Saving Proposals approved at Extraordinary Council in January 2011. An indicative 2012/13 revenue budget was also agreed.
- 3.3 The provisional Local Government Finance Settlement for 2012/13 was then published on 8th December 2011 and confirmed on 31st January 2012. The Council's grant funding was broadly in line with that indicated a year earlier. Labour Group has reviewed the indicative 2012/13 revenue budget and is proposing revisions to this in the light of pressures the Council has faced during 2011 and in the light of government policy initiatives. Labour Group has also incorporated the key priorities agreed at Policy Council in December 2011.
- 3.4 Executive Board on 9 February 2012 considered an update on the Labour Group's proposed budget strategy for 2012/13. It noted the current proposals being considered by Executive Members for their respective portfolios in advance of decisions to be taken at this Finance Council.
- 3.5 It should be noted that the government has not yet published any indicative figures for 2013/14 and 2014/15. This clearly makes medium to long term financial planning and the development of a robust MTFS more difficult.

3.6 This paper therefore sets out the Labour Group's proposed Revenue Budget, Capital Programme and associated Council Tax level for 2012/13 together with the MTFS 2012/15 updated to reflect funding uncertainty and other key risks. This reflects the priorities agreed at Policy Council in December 2011 and the wide-ranging consultation undertaken with a variety of stakeholders.

4. RATIONALE

4.1 The Council is required to set a balanced Revenue Budget for the financial year 2012/13.

5. KEY ISSUES

5.1 Local Government Finance Settlement

The provisional Local Government Finance Settlement for 2012/13 was published on 8th December 2011 and broadly confirmed the indicative figures published in December 2010. No provisional figures were provided for future years. The final settlement for 2012/13 was published on 31st January 2012 and is unchanged from the provisional settlement.

The government is still suggesting that indicative figures for 2013/14 and 2014/15 will be provided, however, as yet, we have no confirmed date for receipt of this information. This clearly makes longer term financial planning and the development of a robust MTFS more difficult. Further reductions are anticipated although it is possible that the funding reductions were front loaded in the first two years of the Spending Review period.

The settlement figures and other key sources of funding are shown in the table below.

	2012/13 £M
Formula Grant	76.1
Specific Grants	18.7
Council Tax	50.1
Grant of lieu of Council Tax increase (2011/12 and 2012/13)	2.5
Collection fund deficit	-0.9
Total	146.5

The additional table below shows the year on year change in government funding from the 2010/11 baseline to 2012/13.

Funding:

	2010/11 £000	2011/12 £000	2012/13 £000	Movement 2010/11 to 2012/13 £000	Movement 2011/12 to 2012/13 £000
Formula Grant	81,633	82,551	76,061	-5,572	-6,490 (8%)
Area Based Grant	28,558	-	-	-28,558	-
LABGI	75	-	-	-75	-
HMR	3,804	-	-	-3,804	-
RDA funding	1,321	-	-	-1,321	-
Sure Start and Early Years	8,736	-	-	-8,736	-
Early Intervention Grant	-	11,682	12,139	12,139	457
Concessionary travel	503	-	-	-503	-
Social Care Reform Grant	749	-	-	-749	-
Planning Delivery Grant	261	-	-	-261	-
PCT income replaced by Learning Disability & Health Reform Grant	4,060	4,110	4,212	152	102
Benefit Admin Grant	1,526	1,561	1,471	-55	-90
Other specific grant funding	1,979	127	907	-1,072	780
TOTAL	133,205	100,031	94,790	-£ 38,415 -28.84%	-£ 5,241 -5.24%

Transition Grant

The Government provided a one year only “Transition Grant” in 2011/12 to keep the maximum reduction for any authority to 8.8% of its calculated “Revenue Spending Power” which comprises Formula Grant, specific grants and Council Tax. This Transition Grant amounted to some £2.97M funding for BwD in 2011/12 only. It is not available to the authority in 2012/13.

Council Tax

In 2011/12, Finance Council agreed no increase in Council Tax, therefore the authority received Council Tax Freeze Grant of £1.25M (equivalent to a 2.5% increase in Council Tax) in each of the four years from 2011/12 to 2014/15. However, should Finance Council agree no increase in Council Tax again in 2012/13, then the Authority will receive further Council Tax Freeze Grant (equivalent to a 2.5% increase in Council Tax) but for one year only. This budget is based on the assumption that the Council will receive additional revenue of £1.25M through the Council Tax Freeze Grant for 2012/13 only.

Social Care Funding

The government has previously indicated that it is providing additional funding for social care via the NHS, totalling £2bn nationally by 2014/15. The Care Trust Plus (CT+) locally will receive £1.9M in 2012/13 for social care (a reduction from £2M in 2011/12) with the intention that it will be

'passported' to the local authority to meet additional growth in social care costs and preventative measures. This has been formally agreed.

Schools Funding

An adjustment was made to formula grant in 2011/12 based on national assumptions about the potential development of new academies which would see funding transfer from local authorities to academies. The government reduced the Council's formula grant by £455k from 2011/12 on the assumption that there would be some new academies somewhere across the country.

Following a judicial review co-ordinated through the Local Government Association (LGA), the government has agreed to review reductions made to authorities' formula grant relating to 2012/13. The actual impact of this on Blackburn with Darwen can only be assessed once further details are received from central government.

Schools-related expenditure is funded by Dedicated Schools Grant (DSG) and a Pupil Premium grant that was introduced from April 2011. A national consultation on how DSG is allocated will be concluded during the 2012/13 financial year with a view to implementing any changes in April 2013. Provisional figures for DSG and Pupil Premium Grant (based on current funding methodologies) are shown below:

Dedicated Schools Grant

Indicative figures	£M
2011/12	125.78
2012/13	124.21
2013/14	125.15

Pupil Premium

Pupil Premium funding is expected to increase in 2012/13 as government plans to increase total funding through this grant to all local authorities from £625 million in 2011/12 to £1.25 billion by the end of 2014/15.

5.2 2013/14 and 2014/15

The Government in the Comprehensive Spending Review 2010 outlined further reductions at national level funding for local authorities of 0.1% in 2013/14 and 5.6% in 2014/15. However, the Chancellor's Autumn Statement 2011 suggested that actual reductions may be higher due to such things as the introduction of a public sector pay cap of 1%. He also indicated that local government could expect continuing budget reductions to address the deficit for a number of years beyond the current CSR period. The Council has prepared at a corporate level an assessment of the impact of these reductions as an alternative to its main budget forecast (which has been based on a more even distribution of the savings in those two years).

The Council will also face the uncertain impact of other government reforms

including the Local Government Resource Review, Welfare Reform and changes to the NHS during these years.

It is anticipated that the Council will be required to find further additional savings estimated in the region of £17M over the subsequent two years, although the MTFs has modelled assumptions that range between £11M and £27M.

5.3 Budget update

The proposed budget strategy builds on the indicative 2012/13 budget agreed by Finance Council last year as the second year of its 2 year budget strategy following the Local Government Finance Settlement. The Budget has also been updated to reflect:

- Pay and price inflation
- Changes in specific grant funding
- Financial impact of legislation changes
- Full year effect of approved changes
- Revenue consequences of capital investment
- Known portfolio budget pressures

5.4 Budget Strategy

The two year budget and Medium Term Financial Strategy prepared by the Labour Group in 2011 clearly incorporated the unprecedented reduction in government funding set out in the Local Government Finance Settlement in 2010. It demonstrated the Council's considered response as set out in the Advance Budget Saving Proposals and associated budget options approved by Extraordinary Council in January 2011, and confirmed by Finance Council in March 2011.

This budget strategy is also based on the following principles:

- To reflect the views and priorities of those with whom we have consulted extensively in challenging this budget and thus ensure we meet the following requirements of the residents of this Borough when faced with substantial budget reductions.
- To invest effectively where possible to deliver our priorities as set out by Policy Council in December.
- To protect where possible front line services to members of the public with higher savings targets being set for managerial, administrative and back office functions.
- To address key financial pressures arising from demographic changes and the position nationally.
- To continue to invest in key capital schemes which will support ongoing sustained service delivery, good asset management and regeneration of the Borough.

- To improve value for money through efficiencies and invest to save options.
- To maximise partnership working where this can realise service benefits and cashable efficiencies.
- To maintain the minimum level of balances as recommended by the Director of Finance.
- To ensure that the Council has a sustainable and robust financial position in future years.

Therefore the Council had agreed areas for review to deliver financial savings over 2 years at its meetings in January and March 2011. In addition, further cost savings are required to offset further reductions in grant funding and portfolio cost pressures, such as demographic growth and income shortfalls due to the current economic circumstances.

The Council must set a balanced budget for 2012/13 and consequent level of Council Tax in March. The scale of further funding reductions in future years remains uncertain.

Impact on staff

The Council had prepared for funding reductions for some time and sought applications from staff for Early Retirement (ER) and/or Voluntary Redundancy (VR) from late 2009. From the start of 2010 when the first ER/VR applicants left the authority, to date approximately 1,000 jobs were lost across the authority (full and part time) whether these were voluntarily, through natural turnover or, unfortunately, through compulsory redundancies. Currently more than 200 staff are employed on short fixed term contracts. It is hoped that staff can be redeployed or further funding may be secured to maintain services. It is likely that some jobs may be lost in future years due to the continuing unprecedented funding reductions, which are expected to continue until at least 2016.

Cross-cutting / Corporate Reviews

In order to reduce the need for redundancies as far as possible and protect front-line services, the Council and its employees also agreed target savings for 3 years from 2011/12 to 2013/14 in terms of some temporary changes to work patterns.

Reviews of all business support services, processes and administration are also being undertaken linked to improvements in procurement, finance and payment systems and processes. These will enable cost savings in management time and administration to be realised on contracts and in the Council's service departments.

Portfolio Service Reviews

The overall budget strategy, service review areas and options are consulted

upon with a variety of stakeholder groups including citizens, young people, staff, the business sector, voluntary, community and faith organisations, and partners. Consultation is on both the broad financial issues and on specific savings proposals. Further consultation will take place in future months and years.

As each service is reviewed and final recommendations made, Equality Impact Assessments are undertaken although we know that, as an area of high demand and significant deprivation, this budget will impact on some of the more vulnerable members of the community.

Capital Programme

The Capital Programme for 2012/15 is also recommended to this Finance Council for approval. There is still a capital investment programme, largely due to ongoing major improvement schemes such as Building Schools for the Future. However, the programme is reduced from previous years with minimal investment in areas of substantial need given the withdrawal of supported borrowing by the government and the ending of grant funding for programmes such as Housing Market Renewal and Housing Capital Grant. There will be little capacity for undertaking adaptations as funding for Minor Works has ended and there is limited funding available for Disabled Facilities Grants, although this is an area the Labour Group continues to prioritise. The Council also continues to place an emphasis on regeneration and housing.

5.5 Consultation

We have consulted widely with residents, partners and stakeholders to gain a consistent understanding of local priorities in recent years.

Three major consultations have taken place between 2008 and 2010 with the Place survey from 2008, research consultation and engagement to develop the Local Strategic Partnership Vision 2030 and neighbourhood consultations during the summer of 2010. Each of these three has contributed strongly to our understanding of local priorities. At the strategic level, improving the local economy and jobs available for local people along with reducing crime have been consistent priorities. Consultation and engagement from the last two years shows that improving the ways that communities get on together are also consistent as a local priority. In relation to local service delivery clean streets, improved parks and open spaces and refuse collection have been consistently identified as local priorities.

Last year we undertook a major consultation and engagement process with staff, local people communities, partners and business to establish in more detail priorities for service provision at a time when Council and other public sector resources are being reduced significantly. The consultations have taken a range of forms, utilising the Citizen's Panel, public meetings, ward based community discussions, priority setting sessions with service users for each of the key council portfolios; setting up the YouGov, YouChoose, accessible through the Council Website and a series of opportunities for staff input to the process of developing local priorities.

The Citizen's Panel, a robust and representative sample survey of residents, concluded that the services to be protected through cuts were education, refuse collection and street cleaning, leisure provision and care services, while identifying services that could be cut as advice services, administration and road works, although almost nine out of ten felt that all services should be protected.

A major public consultation meeting for residents concluded that Community Safety, Adult Social Care and street cleaning were priorities to be protected, while tourism, events and festivals and museums and galleries could be cut back. Young people were clear that children's social care, youth work, education, and child safeguarding were priority services to be protected while festivals and events, parks and playgrounds and King George's Hall could all be cut back.

Consultation with neighbourhoods felt that communities getting on, improved public transport, clean streets, community centres, improved parks and open spaces and maintaining standards for refuse collection were priorities.

Groups were asked to identify specific ideas for making savings and ideas covered reducing administration and bureaucracy, along with a number of specific suggestions including a review of all universal services to identify scope for charging, encouraging residents to support vulnerable neighbours; cut back opening hours for leisure and cultural provision. Consultation with businesses felt there was a need to identify and prioritise investment that would bring a return for the public sector and that there was a need to undertake impact assessment of proposed cuts to funding before a rational judgement could be made.

All groups were asked if they felt the Council could make further efficiency savings. The majority in all groups felt further significant efficiencies were unlikely and the residents suggested that there are only so many efficiencies you can make before you start cutting services.

The Council has consulted on its 2012/13 Revenue Budget, building upon the consultation work undertaken for the 2011/12 budget outlined above. "Your Services, Your Call" events have been held in both Blackburn and Darwen markets. Elected members and Senior officers were available to speak to visitors about difficult decisions already taken, future issues and priorities. The events proved popular with more than 400 people taking part in one day. A number of other consultation events have also taken place with a range of groups, service users and partners, these included meetings with Adult Social Care groups and young people. A questionnaire was also available in many of the Council's facilities and on its website and the Shuttle. Traditional meetings for various interest groups also took place ahead of the Finance Council meeting.

Overall, the results of the engagement and consultation work found that the issues identified in the 2010 Citizens Panel remained important, with particular emphasis on highway maintenance. An emerging theme from the 2012 consultations is the growing importance of 'job prospects wage levels and the cost of living'. This was the most important issue identified at the Blackburn

Market event and also one of the top issues noted through the questionnaires. 'Caring for and protecting children and adults' and 'clean streets' were also identified as key issues in these consultation events.

The Council has taken the views of all the groups into account when preparing its budgets. It is moving towards achieving its priorities, whilst not increasing Council Tax. The Council is focusing its resources on meeting the economic challenges facing this borough and improving the skills of its residents.

5.6 Corporate Budget Pressures

Every year we must assess and address funding pressures on the budget at a corporate level. Those we tackled last year have been sustained alongside other emerging pressures. Clearly the most significant pressure in 2011/12 and 2012/13 is the unprecedented reduction in government funding outlined above. However the Council has faced other significant pressures, as follows:

Adult Social Care

During 2011/12 there have been continuing demographic pressures on Adult Social Care Services, in addition to those forecast. The additional social care funding via the NHS will assist in 2012/13.

Children's Safeguarding and Commissioning

There have been increased costs arising from the commissioning of placements to safeguard the most vulnerable children and young people in recent years. These costs are being contained within budgetary position due to effective case management, and the successful initiative to recruit in-house foster carers, however this is difficult to sustain. Moreover these pressures are continuing not least due to the impact of the current economic situation on vulnerable families. In addition the portfolio is currently assessing the impact of the Monro Review, which recommends reduced case loads for children's social workers. Given the increased pressures and loss of grant income the portfolio faces, non-recurring corporate funding of £1.7M is being made available in 2012/13.

Energy

As reported in the last two years, the Council is continuing to face substantial increases in its costs for energy which are procured at a national level through the Government Procurement Service to ensure effective purchasing power. Energy pressures have increased during 2011/12, particularly for unmetered supplies. We have had to address the full year impact of the 2011/12 increases. Energy prices continue to be volatile. The Council continues to be committed to reducing energy consumption in future.

Treasury Management, Financing Costs and Investment Income

In previous years the council has benefited from significant amounts of income on all investments. Nationally however interest rates fell dramatically in 2009 and have remained at historically low levels. However there is considerable

uncertainty about the timing of the anticipated future increase in interest rates. Many forecasts suggest interest rates may not rise significantly during 2012/13. In 2011/12 the Council did make significant savings through deferring borrowing and using its internal cash balances. The council expects to take some significant borrowing during 2012/13. Any increase will affect both the financing costs of any new loans as well as the interest received on any investments the Council makes.

Reductions in Income

During 2011/12 the Council has continued to see a decline in the income the Council generates from its activities, reflecting reductions in economic activity. This is expected to continue into 2012/13.

The impact has been particularly severe within the Environmental, Improvement and Sustainability, Leisure and Culture, Regeneration and Resources Portfolios. Some limited non-recurring Corporate Funding will be made available during 2012/13 to mitigate this.

Waste Services

The Council is funding increased costs due to the need to comply with European Union Legislation to reduce the level of waste sent to landfill. As a result, the cost of landfill, whether gate costs or landfill tax is increasing. The Council is undertaking a procurement exercise for an alternative waste disposal option and funding will be allocated from corporate resources to meet these costs.

Blackburn Market/Mall

The Council is seeking to redevelop its former market site and has constructed a successful new market hall with improved facilities within the Mall. The Council is also continuing to work with the Mall Corporation to ensure that the development of the Mall is successful and creates a vibrant and dynamic retail sector in the town centre. The revenue costs of these developments will be met corporately.

Efficiencies

Corporately the Council has approved Early Retirements and Voluntary Redundancies under its existing policy. These “savings” have helped to offset the reduction in government funding outlined previously.

The Council is also undertaking several “transformational” projects which will continue to generate efficiencies in the medium to long term. These involve the accommodation strategy, the e-procurement project and a review of Customer Services including a new more transactional website and the Council also continues to review the establishment of new arrangements for the collection of revenues and its managerial and administration structures. A Transformation Board was established to ensure that these planned efficiencies are delivered. It also drives and monitors the service reviews being undertaken by portfolios. The Council expects to identify and deliver

further significant savings during 2012/13.

Service Reviews

In January 2011, the Council approved a programme of service reviews, leading to service reductions to reflect the reduction in government funding it faces. This programme will continue during 2012/13.

The Council faced and continues to face substantial reductions in government funding as well as other corporate and service pressures. The Council therefore continues to face a considerable financial challenge if it is to set a balanced budget as required by statute. The Council has for many years had robust corporate governance and management arrangements which have led to good financial management, the delivery of efficiencies and planned investment in priorities. The Council is already implementing improvements to these business systems and processes. This provides a strong foundation enabling it to successfully meet the difficult challenges it will face in the coming months and years.

New Investment

It is proposed that £2.47M is released from non-recurring resources to support the 2012/13 Revenue Budget. This funding is available because of the successful implementation of the downsizing programmes during 2011/12 and the consequent reduction in expected transitional costs.

The funding will be deployed to:

- Meet demographic pressures in Children's Services
- Offset the loss of grant income
- Maintain advice services
- Implement a selective landlord scheme and strengthen housing services
- Mitigate the impact of the continuing reduction in income at King George's Hall
- Develop a local Council Tax Benefit Scheme
- Ensure legal services can maintain adequate support to safeguarding activities

5.7 Service Portfolios

In 2011/12 each portfolio set out and implemented proposals to achieve budget reductions of around 25% for most front line services and 35% for back office functions, as well as having to bear the impact of reductions in specific grants. There are some further savings which were approved by Finance Council in March 2011. Portfolios were therefore expected to contribute towards corporate budget pressures arising from the reduction in government funding.

Adults

Adult Social Care has faced another challenging year as a result of increasing demand arising from demographic changes. The portfolio has seen significant

reductions in the grants it receives. The portfolio established and implemented plans to achieve reductions estimated at £6.6M in 2011/12 with further savings of £2.2M in future years. These proposals included the review and remodelling of commissioning services through negotiation with external providers, the increased use of reablement and personalisation, the remodelling of in-house provision and a review of Supporting People activities.

This savings programme will continue in 2012/13 with Value for Money Reviews and a review of residency in Learning Disability Services.

Children's Services

In the last year this portfolio has effectively managed the pressures it has faced, whilst ensuring that the most vulnerable of our children are protected. The portfolio implemented plans to achieve savings of £4.4M in 2011/12 and a further £3.8M in future years. These included the remodelling of all departmental, back office and business support functions, a remodelling of children's social work services, a review of Early Years Services and Children's Centres, a review of Young People's Services and of schools and learning services.

The portfolio continues to face demographic pressures and the loss of grant funding. It has identified a further programme of savings. These include the increased use of fostering and adoption and some additional income.

Environmental Improvement and Sustainability

The portfolio is required to deliver statutory services which are of importance to citizens with particular pressure arising in waste management. The portfolio has achieved savings of £1.7M in 2011/12 through changes to services including refuse and recycling, parks and open spaces and street cleansing. The portfolio has identified further savings in respect of waste services and is proposing to deploy these to fund limited environmental improvements.

Housing

This portfolio faced severe capital grant cuts with the ending of both the Housing Market Renewal Programme and Housing Capital Grant. In addition it will meet target savings of £172K in 2011/12 and £111K in 2012/13 through the remodelling of mainstream housing services. Non recurring corporate funding is sought to support further Selective Landlord Licensing Schemes.

Leisure and Culture

The portfolio continues to deliver on health and wellbeing through the continued investment in the Refresh programme. The portfolio is on target to meet its savings of £1.085M in 2011/12 and £727K in future years through a fundamental review of all its activities.

However, the portfolio is facing a continuing shortfall of income from Kings Georges Hall and non recurring funding will be released to mitigate the impact of this, with some savings also required from within the portfolio.

Neighbourhoods and Customer Services

The portfolio has achieved savings of £1.115M through reviews of customer services, advice services and Community Safety programmes. The portfolio has remodelled Neighbourhoods and Learning Services. It has restructured its departmental support services and reviewed Trading Standards.

The portfolio is facing increasing demands for advice services. Non recurring corporate funding will be made available to support this during 2012/13 whilst a broader review takes place.

Regeneration

The portfolio has been supported by non-recurring funding in previous years. Much of this is now no longer available, most notably the Working Neighbourhoods Fund and the LEGI programme. In addition there have been significant and continuing pressures on income streams arising from both economic circumstances and from the substantial regeneration activity that has taken place. The portfolio also faced increasing costs to maintain the network of roads not least as a result of recent adverse winter conditions. The portfolio has faced the not inconsiderable challenge of establishing sustainable long term budgets. In addition to meeting the pressures arising from the loss of targeted grants, the portfolio contributed towards reductions in mainstream funding by achieving savings of £2.2M in 2011/12 by restructuring and reviewing all its activities.

During 2011/12 this portfolio has faced a further significant reduction in income in Planning and Development Services and in the Business Centres. However the costs of the Concessionary Travel Scheme have been lower than the budget. These budget savings are expected to offset the income shortfalls in 2012/13. The portfolio has identified additional savings arising from the further deletion of posts which have become vacant and minor reductions in services.

Resources

The portfolio has continued to face cost pressures from the Council's property portfolio as the impact of the economy is seen, increasing demand for Legal Services in social care and will face significant changes in future years because of the government's plans for a "Universal Benefit". The Portfolio has delivered savings of £3.3M in 2011/12 and is on target to achieve the additional agreed savings during 2012/13.

Non-recurring corporate funding is sought to meet increasing legal costs and the reduction in DWP grant for administrating Housing and Council Tax Benefit. Additional corporate funding is also sought to meet the costs of developing and delivering a Local Council Tax reduction (benefit) scheme with an implementation date of 1 April 2013. The portfolio also proposes to delete some posts which have become vacant.

5.8 Fees and Charges

Executive Members in conjunction with Chief Officers have reviewed all fees and charges. Extraordinary Council in January 2011 set fees and charges for 2011/12 and gave delegated authority to Chief Officers in consultation with the relevant Executive Member to change fees and charges during 2011/12 if required. Executive Board approved fees and charges for 2012/13 at its meeting on 9th February 2012. Council is again asked to give approval for the Lead Directors for Portfolios in consultation with the relevant Executive Members and Director of Finance to have the flexibility and independence to set short term pricing/offers/charges in response to business needs during 2012-13.

5.9 Investment in Delivering our Priorities

The 2030 vision is broken down into two broad Council objectives which reflect what we are trying to achieve:

Community outcomes – reflecting the long term priorities of the 2030 Vision

- Prosperous
- Connected
- Clean
- Safe
- Healthy

Organisational outcomes – reflecting the short / medium term priorities for the Council and residents

- Managing Risk
- Delivering Transformation

These priorities clearly reflect the challenges the Council must meet in transforming its services in the light of the reductions in government funding, and the risk the Council faces in so doing. However the Council remains committed to meeting the needs and aspirations of its citizens.

5.10 Capital Programme 2012/15

The capital programme has been reviewed in the light of continuing reductions in government funding for both revenue and capital programmes. The Council however remains committed to a significant capital investment programme with new and continuing schemes and programmes of investment in infrastructure and technology which will leave a long lasting legacy into the future, as set out in Appendix E.

5.11 Level of Reserves

The Director of Finance is recommending a minimum level of reserves of £5M to this Finance Council for 2012/13.

5.12 Council Tax

In January 2011, Extraordinary Council agreed in principle not to increase

Council Tax for 2011/12 and thus benefit from the Council Tax Freeze Grant established by the Government with funding in place for the 4 year period of the Spending Review.

The assumptions made within these budget proposals for 2012/13 are that the Council will accept the further Council Tax Freeze Grant for 2012/13 although acknowledging that, in this case the government is only making funding available for one year. Therefore there will be an additional pressure of c.£1.3M on the budget in 2013/14 when this funding ceases.

5.13 MTFS

The MTFS 2012/15 has been refreshed and updated. However in the absence of the expected settlement any figures can only be indicative and consider a range of potential scenarios for government funding beyond 2012/13.

5.14 Conclusion

The proposed revenue budget strategy will continue to deliver on the Council's priorities and will minimise the impact of spending cuts with the delivery of quality efficient and effective services to and for the citizens of this borough, whilst ensuring the Council operates within the financial constraints imposed by central government.

Through the "Your Call" programme, the Council is working with communities and helping people to help themselves. In doing so it is transforming the services it delivers and its relationship with its residents.

5.15 Appendices

- Appendix A – Budget Summary 2012/13
- Appendix B – 2012/13 Budget Proposals for portfolio cash limits
- Appendix C – Investments
- Appendix D – Portfolio savings and service reductions
- Appendix E – Capital Programme 2012/15
- Appendix F – Draft Medium Term Financial Strategy 2012/15
- Appendix G – Pay Policy Statement for the Year 2012/13
- Appendix H – Budget engagement summary 2012/13

6. POLICY IMPLICATIONS

- 6.1 The budget process is the mechanism by which the Council allocates resources so that it can achieve its policy objectives agreed at Policy Council.

7. FINANCIAL IMPLICATIONS

- 7.1 The budget process will determine the level of net revenue expenditure for the Council in 2012/13, the capital programme and the level of council tax.

8. LEGAL IMPLICATIONS

8.1 The Council is legally obliged to set a balanced budget.

9. RESOURCE IMPLICATIONS

9.1 Decisions taken during the budget process will affect the resources allocated to all service areas.

10. EQUALITY IMPLICATIONS

10.1 All proposals are subject to Equality Impact Assessments.

11. CONSULTATIONS

11.1 Consultations have taken place with the Trade Unions, Education Sector, Business Rate payers and other interested groups, as required by statute, before the budget is finalised.

Contact Member: Councillor Andy Kay, Executive Member Resources
Date: 23 February 2012
Background papers: Local Government Finance Settlement Papers;
Budget Working Papers held in the Finance and Service
Departments.