

# BATH & NORTH EAST SOMERSET COUNCIL

## THE COUNCIL BUDGET 2012/2013

### Executive Summary

#### Budget Headlines

The proposed band D Council Tax for Bath & North East Somerset Council next year, 2012/13, is £1,201.85 which represents no change on the previous year (no increase). This is the second year in which the Council Tax level has now been frozen recognising the on-going pressure on household incomes.

The proposed net revenue budget for Bath & North East Somerset Council next year, 2012/13, is £120.106m, a net cash reduction of £1.636m on the previous year. This reflects the impact of significant cuts in government grant funding amounting to 8.3% for 2012/2013.

The proposed revenue budget will:-

- Deliver £12m of savings primarily as a result of efficiency and the change programme.
- Protect frontline services with actual service cuts amounting to less than 0.5% of the Council's gross budget meaning that 90% of the overall savings are being found by methods other than service reductions
- Reduce the Council's planned borrowing levels from £206M to £172M.
- Fund capital investment amounting to £174.6m over the next five years.

A capital programme which will provide for:-

- A significant investment in growth and regeneration schemes including Keynsham Town Centre, Radstock, London Road – Bath, setting up of a Creative Hub and preparation to support investment in key Enterprise Areas within B&NES.
- Commitment to the Bath Transport Package following confirmation of Programme Entry and Grant Support from the Department of Transport.
- An increased contribution towards enablement of affordable housing across B&NES area, building on the on-going commitment to the Bath Western Riverside Development.
- Improvements in the Public Realm including the full cost to deliver the Rossiter Road scheme.
- Continued investment in highways maintenance with additional support for the provision of 20mph zones.
- Additional investment in transport infrastructure with particular focus on reducing carbon emissions, supporting economic growth, promoting accessibility, contributing to better safety, security and health, and improving the quality of life in a healthy natural environment.
- On-going Improvements to school buildings and facilities together with provision of additional capacity particularly for primary and nursery places.

## BATH & NORTH EAST SOMERSET COUNCIL

- **Investment in rural communities including improved Broadband connectivity, and improved library provision for Paulton**

**The proposed revenue budget and capital programme builds on the prudent financial management of the Council and is designed to maintain front line services as far as possible whilst recognising the financial challenge facing the public sector. There is a focus on achieving on-going reductions in the Council's cost base through our efficiency and change programme together with considered and affordable capital investment.**

### **The Budget Context**

The Budget for 2012/2013 has been developed within the context of the Government's deficit reduction programme as set out for the public sector in the Comprehensive Spending Review (CSR) announced in October 2010.

This CSR included reductions of 28% in local authority spending spread over the four year period from 2011/2012 to 2014/2015 with a significant element front loaded to the first two years. The Government's Autumn Statement in November 2011 confirmed the need for public sector spending deficit reduction measures to continue beyond the period of the current CSR into 2015/2016 and 2016/2017 with the potential for cuts equivalent to levels over the past two years continuing well into the medium term.

The specific financial implications for the Council are set out in the annual Local Government Finance Settlements in December which showed a 16% cash reduction in funding from Government in 2011/2012 and, an over 8% reduction in 2012/2013. The Settlements do not go beyond these two years as a result of the significant changes to the grant and business rates system from 2013/2014 although the direction of travel is clear from the CSR.

The Council recognises the financial challenge facing the public sector and provides for prudent provisions within its reserves to help enable and facilitate the changes and implications that will result. The Council maintains a high degree of focus on sound financial management (including the delivery of balanced budgets and significant efficiency savings) and it is anticipated this will continue with a balanced budget delivered for the current financial year 2011/2012.

### **The Local Government Finance Settlement**

The headline from the local government financial settlement is an 8.3 % reduction in the Council's formula grant funding from Government for 2012/2013. Within the settlement, the Government continues to provide protection to councils they deem more dependent upon government grant notwithstanding that B&NES Council is one of the lowest funded unitary authorities. B&NES grant remains significantly 'damped' to the value of £2.3m for 2012/2013 and so continues to receive less than the Government's own assessment of B&NES needs requirement.

The table below illustrates the scale of the government formula grant funding reductions compared to the overall reductions indicated within the CSR 2010.

## BATH & NORTH EAST SOMERSET COUNCIL

**Table 1: Reduction in Government Grant Funding**

|                                  | <b>2012/2013</b> | <b>2013/2014</b> | <b>2014/2015</b> |
|----------------------------------|------------------|------------------|------------------|
| CSR Indicative Funding Reduction | -6.4%            | -0.9%            | -5.6%            |
| Actual B&NES Funding Reduction   | -8.3%            | TBC              | TBC              |

The Settlement included provision of financial support from the government for councils who freeze their Council Tax for next year – 2012/2013. Unlike the freeze grant for 2011/2012 which is provided for a period of 4 years, the grant for 2012/2013 is stated to be a one-off only and will therefore impact upon the budget considerations for 2013/2014 and beyond.

Within the Settlement it had been anticipated that following a consultation issued by the Department for Education over the summer of 2011, a further adjustment would be made from 2012/2013 to the level of funding being top sliced for academy schools. The financial planning model had assumed this would be up to an additional £1.5m however the Settlement cancels this and provides for a further consultation by the DoE. This creates potential one-off headroom within the financial planning model for 2012/2013.

The December 2011 Local Government Finance Settlement is the last under the current system of government funding for local authorities. It is the Government's stated intention to introduce a new funding system for 2013/2014 based on the principle of returning an element of the growth in business rates to local authorities. Further details are expected in the spring 2012 although this new system appears to make no allowance for specific funding needs for growth pressures like adult social care. Risks around actual growth and business rate collection levels are also likely to be transferred to the Council.

The Settlement announcement confirmed that as part of the new Localism provisions, Council tax referendums are required for any Council (excludes parishes in 2012/2013) increasing council tax by more than 3.5% (4% for police and fire). This is clearly irrelevant for councils accepting the council tax freeze grant.

### **The Budget Proposal**

Each Directorate of the Council has prepared a Medium Term Service and Resource Plan (MTSRP), together with more detailed individual Service Action Plans (SAP) which have been considered by the relevant Policy and Development Scrutiny (PDS) Panels throughout November 2011 and January 2012. This consideration included detailed Equalities Impact Assessments for all the SAP's, copies of which can be accessed on the Council's website.

The MTSRP's and SAP's set out the specific service and resource requirements for 2012/2013 and beyond, including growth requirements and savings proposals, and allowing for the anticipated financial implications of the grant settlement. Feedback from the individual PDS panels has been considered in arriving at the proposed Budget.

## BATH & NORTH EAST SOMERSET COUNCIL

The proposed Budget for 2012/2013 recognises the very difficult financial challenge now facing the whole of the public sector and the continuing need to prioritise resources. Against this backdrop the proposed Budget has taken into account a number of key principles, particularly

- Fiscal restraint including a frozen council tax level, reduced planned borrowing and no increases to car parking and park and ride fees.
- Protecting priority front line services especially where these support the most vulnerable
- Maximising efficiency savings and using the Change Programme and invest to save as a means to achieve this.
- Passporting additional Government funding for Schools, Early Intervention (including additional funding for child care for qualifying 2 year olds) and Community Health and Social Care.

There will be increasingly limited resources available to deliver the full range of services that have been provided in the past. New legislation and demographic changes similarly demand clear prioritisation and new approaches. This has and will mean difficult choices both for the next financial year 2012/2013, and beyond.

The developing new visions and values of the Council will help to prioritise resources going forwards

- Promoting independence and positive lives for everyone
- Creating neighbourhoods where people are proud to live
- Building a stronger economy

Full details of the proposed Vision and Values are set out in a separate report to the Cabinet on 8<sup>th</sup> February 2012 and will support the development of the Corporate Plan for future consideration by the Council.

The proposed Budget recognises service specific growth pressures and Council priorities that need to be addressed including impacts of national policy changes totalling some £9.3m. The most significant of these include:

- £2.5m for Rising elderly population placing significant demands on Adult Social Care and Health services.
- £0.5m for Increased demand from adults with learning difficulties.
- £0.2m for Increased demand for Children's care services.
- £2.8m for Inflationary costs particularly for care placements and external service contracts.
- £0.3m to meet a national increase in the rate of the landfill tax.
- £0.5m to reflect the local impacts of the economic downturn and increasing competition.
- £0.1m for green initiatives
- £1.2m for other priority improvements including support for key capital projects, street cleaning and the listening approach of the Council.

## BATH & NORTH EAST SOMERSET COUNCIL

Taking account of the reductions in government grant funding and the pressures outlined above, requires the identification £12m of budget savings in 2012/2013 as part of the proposed Budget. These are set out in full at Annex 5 and can be summarised as follows:-

**Table 2: 2012/13 Savings Analysis**

| Description   | £'000         |
|---|---------------|
| Change Programme & Efficiency Savings                   | 8,551         |
| Increases in Income from fees, charges and other grants | 2,439         |
| Service Reductions                                      | 1,062         |
| <b>Total Savings</b>                                    | <b>12,052</b> |

The majority of savings are being delivered from efficiencies through service review and the Council's change programme. This has enabled service reductions to be kept to an absolute minimum. Indeed the reductions to services represent less than 10% of the total savings and only 0.5% of the gross Council budget excluding Schools. Details of the specific savings items and the impact on service areas are included within individual MTSRP's and SAP's.

Guidance from Government is being followed to ensure cuts to the voluntary sector are not disproportionate and avoided where possible. Where cuts are unavoidable, the Council will reflect the appropriate guidance for consultation and engagement.

In the medium term the need to strike an appropriate balance between the diminishing resources available to the Council and the demands placed on all its services will require a greater prioritisation of services.

### **Schools Funding**

Schools are funded by the Dedicated Schools Grant (DSG) which is initially allocated to the Council by the Department for Education. The DSG supports all expenditure in schools (who set their own budgets) and the activities that the Council carries out directly for schools. It does not cover the statutory responsibilities the Council has towards parents. These responsibilities are funded through the Councils main revenue funding and included as part of the proposed Budget.

The Dedicated Schools Grant (DSG) increase compared to 2011/12 is complicated by the conversion of several schools to academies. The overall increase in the DSG is estimated for 2012/2013 at £300k with total funding of £114.1m. This additional funding actually relates to increased demand due to a rise in the number of pupils in our schools and early year's providers. Taking account of this, the overall total represents a similar level of cash grant compared to the previous year.

As schools convert to academies the DFE take back the element of DSG payable to the local authority in order to make payments direct to the academies. The DFE estimate of this will be £24.6m in 2012/13 leaving £89.5m payable to the Council.

## BATH & NORTH EAST SOMERSET COUNCIL

This recoupment by the DFE is based on 7 secondary, 1 special and 1 primary academies in 2012/13. It is difficult to assess whether there will be more schools converting to academies over the next year.

### **Council Tax**

The local government financial settlement included an announcement of financial support for councils who freeze their Council Tax for next year at the current level (i.e. a zero increase). This financial support (in the form of a grant) for 2012/2013 is stated to be a one-off only and will therefore impact upon the budget considerations for 2013/2014 and beyond.

The proposed Budget utilises this grant and provides for a zero increase in Council Tax for 2012/2013.

### **Business Rates**

Whilst the Council is responsible locally for the Collection of Business Rates (National Non Domestic Rates), these are remitted in full to national Government. At a national level business rates are currently pooled and redistributed to local authorities based on a needs assessment. Under this system this Council currently collects £55m in business rates but only receives back £33m.

The uplift in the level of Business Rates is set each year by the Government by reference to the annual inflation figure measured at September each year. The uplift to be applied for 2012/2013 will be 5.6% based on this approach.

Changes to this system are proposed from 1 April 2013 although this will only provide local authorities with an element of any future growth (or reduction) in business rates with the annual uplift continuing to be set by the Government.

### **Reserves**

The Council is maintaining its un-earmarked reserves at the appropriate risk assessed level. Some of these reserves (above a minimum level) will continue to be utilised on an Invest to Save basis. The assessed risk which has been reviewed as part of the Budget process, suggests reserves of £10.5M for 2012/2013 with a minimum level of £6M. These are deemed appropriate based on current financial planning assumptions.

Earmarked reserves are set aside to fund specific future commitments and have been fully reviewed as part of the budget process. The most significant of these are:-

- Revenue Budget Contingency - £1.4m (to meet in year budget variations)
- Medium Term Financial Challenge Reserve - £2.2m (for Change Programme)
- Restructuring Reserve - £4.1m (to meet future severance costs)
- Affordable Housing Reserve - £3m (to fund affordable housing contribution for Bath Western Riverside)
- Capital to Revenue Reversion Reserve - £2.8M (to meet revenue reversion costs of discontinued capital schemes)

## BATH & NORTH EAST SOMERSET COUNCIL

The balances shown are for 2012/2013 and these reserves are anticipated to be fully committed over the medium term.

### **The Medium Term**

The Government's Autumn Statement in November 2011 confirmed the need for public sector spending deficit reduction measures to continue beyond the period of the current CSR into 2015/2016 and 2016/2017. This indicates the need for local authority expenditure to continue to fall with the potential for government funding cuts continuing in line with the current CSR period which already amounts to over 28% in total.

During this period of deficit reduction, the Council will also be required to deal with an unprecedented level of change in its role, services and funding. These include changes to the benefits system particularly council tax and housing benefits, the on-going impacts of Academy Schools, a new duty for Public Health and the changes to the grant and Business Rates system.

The Council approach to these medium term challenges will be driven by the new Vision and Values which will support the development of a new Corporate Plan. These will be used to help prioritise services and resources going forwards to minimise the impact of unavoidable service cuts in future years. The Council will continue to focus on the delivery of efficiency savings, supported by its Change Programme.