

Bath and North East Somerset Council

Briefing Sheet – The Council Budget 2011/2012

National Budget Context

The Council's Budget for 2011/12 is being developed against the backdrop of the UK's biggest public sector deficit since the Second World War following the deepest recession since the 1930's. In the 2009-10 financial year, the budget deficit reached £157bn, meaning the Government had to borrow £1 in every £4 it spent.

Some immediate steps were taken by the Coalition Government in the June 2010 budget to reduce the deficit by some £6bn in 2010/11 with approximately 21% falling on local government. For B&NES this meant a cut of £1.8m per annum in revenue funding (equivalent to 2.5% on Council Tax) and a £1.8m reduction in capital funding alongside notice that Coalition Government funding of other critical B&NES capital schemes was to be reviewed. The savings in 2010/11 have been taken by the Coalition Government but the costs of implementing the savings (including redundancies and meeting contractual commitments) have fallen to B&NES and have required additional efficiencies and / or cuts of over £800k beyond the headline figures quoted.

In terms of tackling the significant ongoing budget deficit, the Chancellor set out the Coalition Government plans in the Spending Review on 20th October. This deficit reduction programme indicated 28% cuts to local authority spending over the Spending Review period from 2011/2012 to 2014/2015. In addition, funding for infrastructure such as school buildings, roads and transport was reduced by 45% on average.

The Local Government Finance Settlement

The provisional local government financial settlement has now been received in draft, and the headline is a 13.5% reduction in the Council's Government formula grant for next year 2011/2012. The Coalition Government has given a greater level of protection to Councils they deem more dependent upon Government Grant notwithstanding that B&NES Council is one of the lowest funded unitary authorities. Furthermore, B&NES grant was 'damped' by an amount of £2.5m pa by the previous government so was receiving less than the Government's own assessment of B&NES needs requirement as protection was given to Councils receiving more than their needs entitlement.

The numbers for 2011/12 and beyond are further complicated by the transfer of several specific grants in to the formula grant. At this time it is not yet entirely clear which grants are included, which are being separately announced, and which have stopped. The Council will be considering this in detail.

Based on our analysis to date the headline reduction in Government Grant (about a third of the Council's non-schools funding) is between 15% and 20% for 2011/12 and the number should become much clearer by the end of January as other announcements are made.

The medium term financial plans which have been prepared by Services have allowed for most of the implications of the financial settlement although up to £2M of funding could be affected by specific grants disappearing especially affecting Children's Services and potentially Adult Services.

Financial plans will need to be revisited in the light of the financial settlement to see what adjustment to the year 2 (2012/13) figures are needed. The annual budget report will refer to this and the need for further prioritisation in the allocation of resources in addition to further efficiencies to accommodate the effect.

The uncertainty about some specific grants and the fact that the Government financial settlement is only for 2 years (not 4 as had been indicated) means there is a high level of uncertainty about these numbers. This is compounded by the effect of the review of Local Government Finance which will affect 2013/14 onwards.

Local Budget Impacts and Issues

The sound financial management of the Council over the years means we are in a better position to face the severe national economic situation than many other councils. Indeed the Council has correctly anticipated the main aspects of the financial settlement and has been planning for up to 30% reductions in funding over the next four years.

The Council Budget now being prepared for 2011/12 recognises the very difficult financial challenge now facing the whole of the public sector. There will be a need to prioritise resources and the Council will do this with regard to the following principles:

- Reflect the Council's already agreed and established [priorities](#).
- Seek to prioritise vulnerable and disadvantaged communities.
- Maximise efficiency.
- Redesign the shape and delivery of services.
- Consider if services are necessary or are being provided at the right level.
- Work even more closely with partners including the NHS, the Police, and the voluntary and private sectors.
- Maintain capacity to manage the changes.

There are also a considerable number of pressures and changes that the Council must recognise and plan for as part of its budget setting process and the most significant of these include:

- Grant funding historically to the value of £2.5M pa below the Government's assessed level of need for B&NES.
- Maintaining the condition of the highways.
- The increasing elderly population placing significant demands on Adult Social Care and Health services.
- Increases in national taxation including employers' national insurance and landfill tax.
- Major changes affecting Adult Social Care delivery including:
 - the establishment of GP Commissioning Consortia (and the withdrawal of Primary Care Trusts (PCTs) by April 2013)
 - the transfer of responsibility for Public Health to local authorities
 - the required transfer of the provider elements of PCTs to other organisations by April 2012 with substantive progress required by April 2011
- Reviewing the Council's role as a Local Education Authority due to impacts of the Coalition Government's Academy school initiatives.

Taking account of the Spending Review, the financial settlement and the pressures outlined above suggests that around £30m of service budget savings will be required over the next four years.

The scale of the projected reduction in local government funding is such that it cannot be met by efficiencies alone. There will need to be even greater prioritisation of services and this will lead to cuts in service areas which are considered lower priority.

Council Tax

The 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). The Cabinet currently expect to be in a position to make recommendations for a zero increase in Council Tax for 2011/12 to Council in February 2011 as part of the 2011/2012 budget setting process.