

MEDIUM TERM SERVICE & RESOURCE PLAN RESOURCES

Customer Services, Improvement & Performance, Finance, Legal & Democratic, Policy & Partnerships, Property, Risk & Assurance, IT and Transformation

2012-13 until 2014-15

Introduction

This plan shows the changes that are already taking place and proposals for the future in response to the key influences and challenges facing the Resources Department and Legal & Democratic Services.

This plan is one of a series of plans that make up the Council's **Medium Term Service & Resource Plan**:

- Resources (this plan)
- People & Communities
 - Children's
 - Housing, Health & Social Care
- Place
 - Service Delivery (Planning, Transport, Waste, Highways, Libraries, Tourism Leisure & Culture)
 - Development & Major Projects (Economic Development & Project Management & Delivery)

A separate document summarises the main financial assumptions and parameters (See Appendix 5).

The **external and corporate influences** on this plan can be summarised as follows:

- Cuts in public expenditure and reduced council budgets – this is the second year of the 2010 Government Comprehensive Spending Review – savings have been 'front loaded' and are very challenging
- There is a key demographic change with a projected 40% increase in the older population by 2026 creating a significant additional financial pressure
- Government expectation that councils will continue to deliver further efficiencies
- Changes in Government legislation, regulations and guidance: there are some simplifications and some new scope for local decision making but at the same time radical and demanding changes such as:
 - Localism, Planning Reform, new grant funding to support local government (less money and less types of grant),
 - return of Business Rates growth to local government, new Benefits system (Universal Credits and Council Tax Benefits),
 - Incentives for growth (new homes bonus, regional growth fund, Business Rates growth, Local Enterprise Partnerships).
 - The Council will also be taking on significant statutory functions for Health and Wellbeing in the area and the connected strategies and Boards.

The Council will be publishing a new corporate plan in 2012. It will include a new vision and objectives and explain how we will efficiently direct our resources to address the

issues that matter to the area and its people. The Council Change Programme remains a key driver for internal efficiencies and improvements in services to customers. It also targets priorities and needs as well as initiatives to join up services between public agencies.

Further detail about these external and corporate influences is given in Appendix 4.

Staff Resources & Finances

The services incorporated in this plan are listed below together with related staff numbers. Changes start with this as the base position (September 2011):

	Gross £m	Net £m	Staff FTE
Public Facing			
Customer Services	4.441	2.660	125
Commercial Estate	2.436	(12.827)	
Registration and Electoral Services	0.675	0.210	16
Strategic & Commissioning			
Strategic Director / Chief Exec	0.833	0.812	7
Policy & Partnerships	2.676	1.925	28
Risk & Assurance (inc. Internal Audit)	1.378	1.163	23
Transformation & ICT Client	0.853	0.737	3
Improvement & Performance (inc HR)	3.519	1.718	44
Members Allowances	0.874	0.874	
Traded Services	5.413	0.054	142
Support Services			
Finance	3.858	1.135	84
ICT (inc People Services)	5.734	(0.897)	0
Legal & Democratic Services	2.746	0.818	42
Property Services (incl Corp Estate)	16.099	7.421	122
Total cash limit	51.535	5.863	650

Notes:

- (1) The gross figures are before income including government grants.
- (2) The above table does not include Avon Pension Fund for which the Council is the lead authority and the finances for the Fund are planned and managed separately.
- (3) Both People Services (payroll and day-to-day HR transactions), plus ICT are carried out by a private sector partner, namely Mouchel, under a contract and staff numbers are not included.
- (4) All the figures in this table include recharges from other support services

A copy of the current draft future capital programme is attached as Appendix 1.

Key Proposed Changes – Years 1 to 3 – 2012/13 to 2014/15

The main national and local drivers for change for the Council and for the Resources Department are as set out in Appendix 4.

The **underpinning approach** in Resources in response to these drivers for change is to:

- lead the Change Programme to reshape the organisation
- improve accessibility, quality and efficiency of customer services
- tailor support services to needs & to changing shape of the Council
- rationalise and improve assets
- develop the Council's commissioning approach
- maintain tight financial control and excellent financial planning

It is important to note that less than half the department is providing support services and also the size and importance of the customer facing services as well as the strategic and commissioning roles.

The focus remains on efficiencies and preparing for fundamental change in most areas. Substantial savings were achieved in 2011/12; in the order of 10% of gross spend in many services. The Change Programme will help achieve further efficiencies in 2012/13 but a new way of working – a new target operating model - will be needed in 2013/14.

The **changing shape of the Council** provides challenges notably the creation of a social enterprise (Sirona) for community health and social care and the creation of academies.

In 2011/12 the creation of the social enterprise has affected about 15% of the department's workload. Staff have either transferred or service level agreements been created to support the social enterprise. There is a transition period of about 18 months whilst the new organisation sets up its own support service capacity and further staff transfers may take place. So far the change has been achieved with a minimal net cost to the support service function of about £100K which has been offset by other efficiencies.

Further pressure will arise from the impact of the creation of Academies and the review of the Local Education Authority role.

The amount of work carried out for the social enterprise (Sirona) activities before it was created and the amount carried out for schools and the LEA roles is set out below:

	Social Enterprise		Schools & LEA	
	£	%	£	%
• <i>ICT</i>	<i>0.405m</i>	<i>7</i>	<i>0.314m</i>	<i>5</i>
• <i>People Services</i>	<i>0.028m</i>	<i>6</i>	<i>0.040m</i>	<i>8</i>
• <i>Other HR</i>	<i>0.183m</i>	<i>12</i>	<i>0.288m</i>	<i>19</i>
• <i>Finance</i>	<i>0.673m</i>	<i>25</i>	<i>0.324m</i>	<i>12</i>
• <i>Legal</i>	<i>0.010m</i>	<i>1</i>	<i>0.032m</i>	<i>1.5</i>
• <i>Audit & Risk</i>	<i>0.007m</i>	<i>1</i>	<i>0.020m</i>	<i>5</i>
• <i>Property Services</i>	<i>0.087m</i>	<i>1</i>		

Transitional arrangements have been set up for all the social enterprise activity and some permanent changes have been made. Generally the ending of the transitional arrangements in 2013/14 will need to see additional costs being avoided and plans have been developed to achieve this although in the case of ICT more work is needed on the strategy.

Similar work will need to be undertaken in respect of academies and LEA changes so that as far as possible there is no impact on the Council's overall finances. This is increasingly challenging as there is a loss of economies of scale. There are some corporate activities that will need to remain irrespective of the size of the activities that support services underpin. The structure of the department will increasingly recognise this.

The approach for customer facing services is as follows:

In **Council Connect plus Revenue & Benefits** - a radical approach is continuing to enable very substantial service improvements and low costs. The approach uses lean systems thinking and puts all the emphasis on getting it right first time for the customer and focusing on those with the highest needs. The achievements are greater than would be seen through traditional shared service approaches, involve far lower levels of investment, are providing immediate payback, and enable better integrated local provision of service including face-to-face advice. The accessibility and speed of these services has greatly improved and is now best practice.

The introduction of a new local Council Tax Benefits system in 2013 and the gradual implementation of Universal Credits from the same year has the potential to set all of this progress back.

Our one stop shops play a key role but if Universal Credit (which includes replacement of Housing Benefits) is only available from a Government web site or large call centres local access for vulnerable people to these services will be greatly undermined. There are also risks for the integrated one stop shops that the Council is developing. In addition there are challenges for staff that may need to transfer to the Department of Work and Pensions.

In the case of Council Tax Benefits the role stays with the Council but local schemes (there could be more than 300 across the country if councils do not work together) plus less funding will cause risks. The funding will be 20% less for working age claimants and if the Council chooses to fund this it would cost over £1M. This may not be affordable.

Plans are well advanced for a new one stop shop in Lewis House in Bath opening in 2012. Similar changes are planned for Keynsham in 2014 linked to the creation of a new library on the Town Hall site. The ability of customers to self-serve on the web is also improving and the role of the Council Connect call centre is evolving. The emphasis remains on making services more accessible for all, providing choice of how to get information, but also using resources wisely.

In the case of the **Commercial Estate** high quality service has been maintained throughout the recession with low levels of voids. This approach continues as it is an essential means of protecting Council income. The estate generates over £12M of net income for the Council and contributes to the rich pattern of retail in Bath. The Council owns more than 50% of the City Centre retail premises. The

other main focus for **Property** is supporting the growth agenda and bringing forward some of the Council's key sites for development.

In the case of **Registration and Electoral Services** the focus will continue to be on expanding and improving the range of services offered to the public whilst minimising the cost of provision consistent with maintaining a service that competes effectively with other areas for business. New duties concerning local referenda will also need to be supported.

Details about these and other service changes are set out in Appendix 2.

For the **strategic and commissioning** services within the department the approach is as follows.

Excellent **financial planning** remains a top priority as does supporting and enabling the various changes across the Council – the **Change Programme** - all of which are heavily demanding on advice. Support is being provided to setting the Council's priorities and updating the Sustainable Community Strategy & Corporate Plan.

Improvement & Performance division - The Communications and Performance Teams have been significantly downsized and re-shaped to meet the changing needs of the organisation. The Communications Team is now focussing on transforming the website, the Performance Team has created a new streamlined performance framework albeit further changes will be required, and the HR service has a major focus on co-ordinating and supporting the organisational change work associated with budget reduction and job losses.

The **Policy & Partnerships** division is leading the work on the development of a strategic commissioning approach across the Council that ensures that services are designed around local needs, commissioned in line with Council priorities, involve the most effective forms of community engagement, focus on cross-cutting themes from the Sustainable Community Strategy such as equalities and climate change and effectively target scarce resources across our local strategic partnership. This division also manages community safety (which will be affected by the creation of Police and Crime Commissioners) and Commissions with a range of providers and organisations.

The **Workplaces** project (less but more up-to-date offices with better customer access) continues to deliver and is led by Property. Integrated office space for Health and Social Care staff has been delivered. Lewis House has been much improved with flexible working arrangements built in; Plymouth House and Trimbridge in Bath have both closed saving 16% of space. The Hollies in Midsomer Norton is currently being improved. This is all part of the plan to implement better access to services, flexible working across the Council, reduce space requirements by about 40%, reduce costs by between 10% and 20% and carbon impact of offices by 70%.

There are 4 main aspects of **Risk and Assurance**: Procurement, Audit & Risk, Business Continuity & Emergency Planning and Information Management. The Audit & Risk team provides an independent and effective internal scrutiny function which reports to the Audit Committee. That Committee also receives information from the external auditors, the Audit Commission, albeit a change of auditors will take place when Government plans for the abolition of the Commission are finalised. Procurement is an increasingly important service and has delivered

over £1.5M of savings in partnership with services over the last 18 months and by working closely with Bristol more savings are being targeted. Business Continuity & Emergency Planning continues to help services in coping with major incidents such as severe weather and help the organisation be prepared for its role in recovery actions following a civil emergency. Information Management functions controls over 100,000 physical files and has helped reduce storage space in offices by 50% with a new records recovery service. In addition it is helping the organisation deal with the government's transparency agenda and provides direct support in protecting both individuals and the Council's information through compliance with various statutes, i.e. Freedom of Information & Data Protection.

In the case of **ICT** the strategic plan is also to help reduce the number of systems used in the Council, save on license costs, save on administration costs and invest in a simpler ICT architecture. A new ICT roadmap will be delivered in 2012 to guide savings and investment. Significant savings are being targeted.

The statutory roles of Section 151 officer and Monitoring officer will also need to be maintained.

The main changes for **support services** include:

Finance, HR, ICT and Legal Services must reflect the needs of front line services and are being rationalised and simplified wherever possible. This needs to be done whilst maintaining adequate levels of service. The service levels also need to reflect demands including from Sirona and Academies plus a reshaped LEA role when that occurs.

Democratic Services are responding to the new Council arrangements and any future changes whilst seeing a reduction in senior staff.

Property maintenance and improvement of assets is managed by Property for most Council assets and is kept to safe levels to protect their condition and less office space is helping to reduce costs. Disabled Access remains a priority and lots of progress has been made including improvements to the Roman Baths last year.

Trading services including printing, catering and cleaning are also managed within property and are generally performing well. The emphasis will be to ensure that they continue to break even and to act promptly if not.

Some transactional aspects of Support Services are already delivered by our private sector partners, **Mouchel**. They are responsible for the Council's ICT and People Services (mainly payroll and HR transactions). Consideration is being given to the extension of their contract which was provided for when the contract was originally let. Alternatives are also being considered.

Most of the transactional support services are relatively centralised but aspects of ICT and finance are being considered to see if more centralisation would deliver savings.

Finances & Service Impacts

The service impacts of the changes are set out in the attached impact analysis at Appendix 3.

The following targets have been set for the next three years:

- 2012/13 £1.636m (including £0.457m agreed growth)
- 2013/14 £0.658m (excluding unavoidable growth)
- 2014/15 £0.729m (excluding unavoidable growth)

When unavoidable growth is added in for 2013/14 and 2014/15, savings in both years in excess of £1M will be required as well as absorbing inflation on non-pay items. Pay has been assumed to remain unchanged in 2012/13 but increase by only 1% after that. The unavoidable growth in 2012/13 is itemised in Appendix 3 and is mainly associated with contract inflation, pay increments and loss of Government grants. This means the real savings in each year will need to be in the region of 5% of gross spend.

The targets for 2013/14 and 2014/15 are indicative and will be reviewed in the light of the Council's priorities which are under review. The extensive list of changes affecting the Council in 2013, as detailed elsewhere in this plan will also require this review. The aim will continue to be to maximise savings from the Change Programme and efficiencies, plus to minimise the reductions in front line services, albeit this is becoming increasingly difficult. Detailed savings plans for 2012/13 and 2014/15 have yet to be established but the direction of travel is set out in this plan.

The proposals to meet 2012-13 targets can be categorised as follows:

- » Change Programme £1.072m
- » Cashable Efficiencies £0.273m
- » Additional Income £nil
- » Reduced Service Levels £0.225m
- » Discontinued Services £nil

The main **reduced service levels** for 2012/13 are detailed in the impact analysis at Appendix 3 and the key items under consideration, over and above efficiency savings are:

- Community Safety: The Council and Police have in the past received direct funding – including from central government - to develop joint plans and projects through Community Safety Partnerships. However, the overall policy context is shifting, with the introduction of directly-elected Police and Crime commissioners, the ending of central government performance frameworks and the projected removal of identified Government funding for community safety. A net saving of £95,000 is proposed to the Council's contribution to this budget, amounting to a 50% reduction.
 - This will mean a co-ordinating role, mainstreaming community safety priorities across services and focusing on both the needs of the most vulnerable victims of crime and Anti social behaviour and areas where there is potential to secure most impact.
 - The aim will be to maximise the potential of joint funding and shared teams, for example working with the Police and Somer on Anti-Social Behaviour and ensuring that the Council helps deliver through its enforcement powers.
 - Aim to protect the taxi marshalls service and work with the Business Improvement District to secure the appropriate level of involvement from them

- There will be a focus on ensuring that resources are pooled - e.g. through Community Budgets – to maximise impact on the most vulnerable victims and reduce re-offending.
- Likewise, the CCTV service will remain but efficiencies will be sought from the move to a new control centre.
- The new Police and Crime Commissioner when elected in October 2012 will be invited to consider how local priorities community safety can best be met.

Other efficiencies include the following, and if managed successfully there will be minimal impact on service levels:

- Voluntary Sector Grants – a £60,000 cut is being considered and can be achieved without unduly reducing the contribution these grants make to the achievement of agreed outcomes for the community.
 - There remains additional funding available to support community initiatives through the community enablement fund (Government Reward Grant from the old Local Area Agreement system plus a local contribution and, at the time of writing, over £1M remains available as a 'one off'. This funding is being dealt with through the Local Strategic Partnership.
 - A community budgeting initiative is being considered by the People & Communities department to join up support and interventions especially for families with multiple needs.
 - A review of funding for the 3rd sector (social enterprise, community and voluntary groups) is underway to ensure that the impacts on this sector from changes across the Council are co-ordinated and that the impacts are appropriately considered.
- A saving of £70,000 or 40% of the Equalities budget is proposed. This will be achieved by reduced staffing and a reduction in the corporate reasonable adjustment budget which means that services, elected members and strategic partners will need to address issues of inequality, discrimination and unfair treatment in employment and service delivery with significantly less advice, guidance and support. Services will have reduced opportunity to supplement their own budget when having to provide alterations to the working environment for Disabled staff
- Cleaning – office cleaning is being cut by £50,000 – equivalent to 20% - through efficiencies including in cost of materials and additional savings are being achieved in the workplaces programme as a result of less office space arising from office closure – recently Trimbridge and Plymouth House in Bath and more intensive use of Lewis House following its refurbishment.
- Catering – Services to schools and social care (community meals) are in line with the requirements of those services. The only net cost to the Council is the subsidy of the canteen at Riverside Keynsham and the catering for functions service. Both subsidies are to be removed giving a saving of about £50,000 albeit options are being explored to retain a break out area with perhaps snacks and hot drinks at no or minimal subsidy in Riverside.

The remaining savings reflect the principles and approaches set out in this plan and principally stem from the Change Programme. The following issues and risks should be noted.

- Procurement savings from the involvement of that service – which is now operating in partnership with Bristol – arise in service budgets across the Council

and to date (over the last 18 months) savings in the region of £1.5M have been achieved. This is helping Services meet their targets.

- A £60,000 saving is being achieved through a further 15% reduction in Audit & Risk as part of preparations to move to a new shared service with neighbouring authorities.
- The savings in IT and HR depend on the outcome of negotiations with Mouchel as well as initiatives to rationalise systems. The savings are £350,000 and £60,000 and although considered to be achievable are challenging.
- Other savings although challenging are generally already being progressed through the Change Programme.
- In addition to the above, and not shown in the Impact Statements, an additional £300,000 is being realised by Property from the Commercial Estate through lease reviews. This is an estimate of what the normal approach will generate but is also assisted by some restructuring of existing leases. This number has been treated as corporate and is offset by the impact of Sirona being created on corporate overheads - £100,000 and a technical adjustment involving capitalised salaries which now have to be charged to revenue of about £200,000.

Performance

There have been significant changes in the performance regime in the last 18 months. An initial reduction in the national performance framework has been replaced by a number of service specific requirements in Adult Health & Social Care and Public Health. Further national performance frameworks are anticipated to emerge in the future. National inspection frameworks in Adult and Children's Services (CQC and OFSTED) are continuing.

The Council has developed a new performance framework which meets service specific national requirements and also provides local performance information to support effective decision making. This incorporates value for money (VFM) and benchmarking where information is available and a corporate VFM judgement continues to form part of the annual audit of accounts.

Currently, it is not possible for councils to compare their relative overall performance as this information is now not gathered nationally. However, continuing local monitoring indicates that levels of performance have been broadly sustained.

Workforce Planning

Although a wide range of service activities is covered by this medium term plan, there are common themes in terms of workforce planning:

- Over the next 2-3 years, there will continue to be a reduction in overall staffing levels across the department as a result of efficiencies and changing, reducing or stopping some activities. The scale of staff savings, the percentage and timing of reductions will vary between divisions. Overall staff savings are likely to be in the order of 36-40 FTE posts. in 2012/13 and similar reductions in future years.
- Service delivery changes across the Council e.g. the impact of academies, a changing LEA role, developing the commission role in respect of adult social care etc. will impact upon both strategic and support services throughout the period of this plan with the possibility of further staff reduction and/or transfers once current transition arrangements have concluded.

- The reviews of the delivery models for the trading services – printing, catering and cleaning, may result in a change in employer for these staff and operational efficiencies will continue to be sought. The focus in 2012/13 will be on how to deliver printing and aspects of catering (functions and the canteen). Preparations will also start next year for other trading services to commence from 2013/14.
- A range of measures utilising the Council's Organisational Change Policy & Procedures, will be deployed to minimise job loss and compulsory redundancy including vacancy management, redeployment, flexible retirement etc. Early and careful planning together with sound staff and union consultation will help to mitigate the potential impacts. However, it should be recognised that over time this process is likely to become more difficult and it will be increasingly important to pay careful attention to staff morale, wellbeing and motivation.

All of the services across the Department are looking at future organisational models that are aligned with and support the future direction of travel of the Council. Whilst implementation dates will, of necessity, vary, it is envisaged that these will all be in place by the end of the period covered by this plan.

The greater emphasis on commissioning and working with communities will require the enhancement of skills and development of new competencies for staff in these divisions with a greater focus on advice, guidance and consultancy both within the Council and the wider local community. Areas already identified and being developed include:

- Commissioning & procurement skills
- Business planning and financial awareness
- Analytic, diagnostic and interpretive skills
- Lean systems and other process evaluation skills
- ICT Systems training
- Strengthening interpersonal skills
- People Management in complex situations

The Improvement & Performance service will continue to lead on the design and delivery of the Organisational/Workforce Development Programme to ensure that staff are supported through this change process. This incorporates specific skills training associated with new roles, leadership and middle management development opportunities as well as support for staff at risk of redundancy. Coaching, mentoring and action learning are crucial to the success of this part of the OD programme. The underlying intention continues to be the development of in-house change management skills to minimise the use of external consultancy support.

Medium Term Options – 2013/14 to 2014/15

The previous sections set out the direction of travel. It is very difficult to be precise about these two years as there is so much fundamental change. The aim will be to review the medium term plan early in the 2012/13 period and to rebase budgets in the light of the emerging information:

- New government grant system and return of local business rates growth to local Councils and new savings targets - albeit these will still flow from the last comprehensive spending review in 2010.
- Agreement of the Core Strategy for land use in the district which affects growth.
- Agreement of the new Corporate Plan and Sustainable Community Strategy.

- New local Council Tax Benefits system and subsidy arrangements.
- National system of Universal Credits that incorporates Housing Benefits and subsidy arrangements.
- National funding arrangements for Academies and locally proposed structure of LEA role.
- New health commissioning arrangements following the demise of PCTs.
- New Police Commissioners.
- New Local Enterprise Partnership investment plan.
- New pensions arrangements following the Hutton review.

All of the above will take full effect in 2013 except perhaps much of the pensions changes (which may be partially implemented and fully implemented in 2015). This level of change is unprecedented in recent years and of course remains in the context of the financial cuts arising from the public sector deficit. The new grant system and subsidy arrangements make forecasting particularly difficult. However, the default assumption is that a 5% cut in gross expenditure will continue (on average) in each year with no allowance for inflation and restricted pay awards.

Longer Term Options – Years 4 to 10

The longer term solutions are more speculative and will in part be driven by the wider agenda for local government, city regions, demand pressures on social care (with an aging population), climate change issues but also the growth and economic prosperity opportunities arising from an expanding population.

The proposed changes in the next 3 years are radical and will set the agenda for some years to come.

Public expenditure reductions will continue for some years to come. Most of the remaining expenditure cuts will probably be over the next 3 years but after that tight control over public expenditure is likely to need to continue.

The Council's role as an enabler and commissioner so that local people have access to the right services is central to the changes described here. The changes in schools and health and social care alone will radically take this agenda forward over the next 3 years.

Approval of this plan

This plan has been considered by the Community Resources Policy Development & Scrutiny Panel (CPR O&S) in November 2011.

The Portfolio holder for Resources will review it after that so that changes will be incorporated prior to January when Service Action Plans will be considered by the Panel.

The various plans will be brought together for consideration by the Panel in February and then Cabinet with budget recommendations made to the February meeting of Council.

Appendices

Appendix 1 - Capital programme

Appendix 2 - Service specific changes at Divisional level

Appendix 3 - Impact of proposed budget changes

Appendix 4 - Key national and local drivers for medium term plans

Appendix 5 - Council's financial context

More information about:

The Change Programme, the existing Sustainable Community /Strategy and Corporate Plan can be found on the Council's web site www.bathnes.gov.uk .

APPENDIX 1

CAPITAL PROGRAMME

Support Services Capital Programme

	2012/13 Draft Budget for Approval £'000	2012/13 Draft Budget for provisional approval £'000	2013/14 Draft £'000	2014/15 Draft £'000
Property & Facilities				
Corporate Estate Planned Maintenance	905		905	905
Risk Assessment/Disabled Access (DDA)	552		552	552
Disposals – Blue Coat House	10		0	0
Disposals Cost of Sales - General	280		0	0
Disposals Cost of Sales – Children's Servs	0		0	0
Property Developments – Saw Close	184		18	0
Property Developments – General	0	213	128	110
Total	1931	213	1603	1567

Funded by:

Capital Receipts	2104	1598	1567
Service Supported Borrowing	40	5	
Total	2144	1603	1567

Corporate Capital Projects delivered by Property Services

	2012/13 Draft Budget for Approval £'000	2012/13 Draft Budget for provisional approval £'000	2013/14 Draft £000	2014/15 Draft £000
Workplaces Programme				
Keynsham New Build	7726		19937	7612
The Hollies	0		0	0
Lewis House	431		0	0
Fit Out One Stop Shop			0	0
Other Workplaces projects	402		336	808
Total	8559	0	20273	8420

Funded by:

Service Supported Borrowing*	833		
Other	7726	20273	8420
Total	8559	20273	8420

Notes:

Appropriate funding mechanism for Keynsham Regeneration scheme is being explored including use of internal balances and capital receipts. The offices element of the new build accounts for just under 50% of the construction costs. Final designs will take into account the local consultation.

Appendices

SERVICE SPECIFIC INITIATIVES AT DIVISIONAL LEVEL

Public Facing Services

- *Revenues & Benefits*
 - *Achieving savings in Revenues & Benefits through system thinking reviews and transferring activity into the front office to get it right first time*
 - *Participating in Release 1 of the Customer Service Workstream to deliver additional efficiencies and customer improvements such as e-billing*
 - *Introduce lower benefits levels linked to local housing allowance changes from 2011 and 10% reductions in Council Tax benefits (plus local discretion) announced in the CSR from 2013*
 - *Work with the DWP to introduce unified benefits (Universal Credits) over the next 10 years and look to secure the key role that our integrated front office has in terms of access to advice and services*
 - *Develop plans and continue to lobby for the ability to act as a Pilot site for the delivery of (face-to-face aspects of) Universal Credits from October 2013*
 - *Develop plans for implementing localised Council Tax support with effect from April 2013, including policy advice, administering the necessary consultation process & understanding the relationship with Universal Credit plans*
 - *Develop closer working with Housing Services to support administration of the social fund & Discretionary Housing payments*
 - *Implement any recommendations arising from recent consultation on plans to implement a National Fraud Investigation Service*
- *Customer Access*
 - *Implement the scheduled releases of the Customer Service Workstream involving all services that provide customer advice, and that have significant customer contact, to release £1M of cumulative annual savings and to provide a more integrated public service for customers*
 - *Through the Customer Services Workstream implement standardised, simplified solutions to enable channel shift to cheaper & more effective methods where appropriate, working across services*
 - *Develop the Communications Hub in the basement of Lewis House to deliver flexible and proactive service delivery*
 - *Implement a new corporate telephone strategy for the Councils,*
 - *increased focus on front line face-to-face support for vulnerable customers and customers with complex needs, especially when associated with 'life events'*
 - *work with the workplaces project led by Property to develop improved front offices in each of the 3 main locations (Bath, Keynsham, Norton Radstock) – Lewis House Bath in April 2012, Hollies MSN phased, Keynsham 2014*
 - *Continue to develop working relationships with partners to work jointly from our one stop shops or other community locations to deliver integrated public services*

- *Develop closer working relationships with Job Centre Plus in order to effectively deliver Universal Credits and Localised council tax*
- *Property (including Commercial Estate and Council owned development sites)*
 - *Reduce property management costs whilst maintaining basic levels of maintenance.*
 - *Continue to rationalise assets and identify and maintain the required level of capital receipts through the strategic asset management of the Council property assets.*
 - *Continue to manage the commercial estate in order to increase income, effectively manage voids and continue to reduce levels of debt.*
 - *Lead on delivering the Workplaces project to reduce office accommodation needs by 40%, produce a reduction of 70% in the carbon footprint and achieve 10% to 20% annual savings in running costs.)*
 - *Lead on the Keynsham town centre regeneration scheme, thus providing a catalyst to the regeneration of the town as a whole.*
 - *Work with Development and Major Projects on the joint project “Planning the Future: Funding the Future” the purpose of which is to produce a deliverable framework within which to deliver viable and sustainable developments on Council owned and other sites within the City.*
- *Avon Pension Fund*
 - *To respond to the changes and recommendations coming forward following the Hutton review of public sector pensions as these may be applied to the Local Government Pension Scheme.*
- *Registration and Election Services*
 - *Expanding and improving the range of services offered to the public whilst minimising the cost of provision consistent with maintaining a service that competes effectively with other areas for business.*
 - *Taking forward initiatives for income generation.*
 - *Exploring options for service redesign in the medium term.*
 - *Absorbing new duties concerning referenda*
- *Democratic Services*
 - *Through the Overview and Scrutiny function facilitating and supporting public involvement and Council-wide input to the development of policies and programmes*
 - *Enabling and improving public access to all aspects of the democratic process through the implementation and development of new web based systems, including e-petitioning, text alerts and improved content design*

Strategic & Commissioning Services

- *Policy & Partnerships*
 - *Developing the Council's approach to Community Led commissioning working with partners and local communities to engage communities in the delivery of their priorities while helping the Council deliver its responsibilities.*
 - *Provide the policy lead on environmental sustainability and the low carbon economy for the Council and across the local partnership. This includes: driving carbon and energy cost reduction activity; creating community capacity for carbon cutting action and tackling fuel poverty; enabling new local sustainable energy production and increasing demand for low carbon businesses and skills.*
 - *Mainstreaming equality issues across the Council and enabling services and commissioners to identify the equalities issues of the work they do or planning. Developing the Council's approach to localism and the Big Society, encourage alternative models of delivery with, in some cases, a less direct role for the Council, focus community safety on high risk areas and on mainstreaming activity across the Council in preparation for the introduction of the Police and Crime Commissioners. Develop Partnership working in the area and in particular the next steps from the Local Strategic Partnership framework and lead work on the new Health and Wellbeing boards which will be a key new function for the Council.*
 - *Producing the Council Corporate plan and helping it set out its vision for the future and how it proposes to work with the Community to deliver that vision.*
- *Improvement & Performance*
 - *Organisational Development Programme – including culture development and support to the design and implementation of future management arrangements, Workforce Development – support to services in the effective development and deployment of staff resources as they rationalise and reshape.*
 - *Transforming the website to provide:*
 - *More interactive capability to deliver better customer services and significant financial savings.*
 - *Increased opportunities for community engagement helping people do more in their own community.*
 - *Further develop social media to provide information, improved engagement and encourage increased participation in the community.*
 - *Further simplify the performance framework providing the Leadership with independent corporate challenge and information to manage the Council and become more transparent and accountable to citizens.*
- *Risk & Assurance*
 - *Widening the shared service for procurement with Bristol City Council from Corporate areas to include Property, construction, waste, transport and leisure. At least £2M cumulative annual savings can be achieved using*

category and demand management along with other solutions such as improving our procure to pay systems and extended use of framework contracts and online catalogues.

- *Support the Strategic Commissioning approach being developed through the Change Programme with the use of intelligent gateways to manage commissioning of services through a long-term strategic commissioning lifecycle.*
- *Implementing a shared service approach to internal audit and risk management to deliver savings and increase access to specialist skills.*
- *Integrating risk & assurance indicators into the new performance management framework and develop benchmarking analysis for support services.*
- *Complete the provision of an actively managed records management service through 3 bespoke units to reduce storage needs in Council offices by 50% and manage all of the Council's physical records with capacity for up to 200,000 files to support the Workplaces project.*
- *Improving transparency and opportunities for SME's and the local economy to trade with the Council through the use of 'free' electronic contract portals and a full e-tendering system.*
- *Take forward the government's transparency agenda by publishing increasing amounts of detailed information, i.e. contracts, salaries, assets, needs assessments and performance and statistical data.*
- *The transparency agenda will also support high levels of demand for FOI requests and help services proactively publish information for the benefit of the community in supporting the localism agenda. This also assists the development of knowledge management within the organisation linking back to our strategic commissioning approach.*
- *Integrating incident management for emergencies into the communications hub that will be part of the one stop shop, CCTV, urban traffic management and Council Connect facility in Lewis House in 2012.*

- **Finance**

- *Maintain strong track record of prudent financial management and high quality of management and statutory financial reporting.*
- *Support the Council to deliver a Balanced Budget.*
- *Providing appropriate financial advice and support to the Council's Change and Capital Programmes, including the development of a small, flexible team to support these increasingly complex areas.*

Trading Services

- *Investigating alternative options to deliver traded services to meet both the demands of, and reducing budgets of, service users and consider whether in some cases the private sector would be in a better position to deliver these services.*
- *Responding to the changing demand as a result of the impact of academies and changes in health and social care delivery.*
- *Considering and responding to impact of potential reduced funding available for community meals from social care budgets.*
- *Ensuring traded services continue to at least break even and benchmark competitively.*

Transformation Service

- *Continue to update and refine the Change Programme governance arrangements to ensure the leadership of the programme remains clear.*
- *Continue to support the design and implementation of work streams within the Change Programme.*
- *Carry out programme and project management review across all work streams to ensure programme cohesion, check dependencies and benefit delivery is on track. Support Children's Services service re-design as it progresses its systems thinking review.*
- *Enable any further systems reviews that are agreed including those that flow from the customer services workstream.*
- *Deliver the ICT target operating model ensuring it meets the requirements of the Change Programme, delivers significant savings and simplifies our ICT estate i.e. same or better service for less cost.*
- *Ensure that investment decisions in technology represent quality and value and are customer focussed.*
- *Ensure continued security compliance and assurance including the move to public service network.*

Support services – including Finance, ICT, Legal & HR

A common approach applies to all support services:

- **Advice services** *will be simplified and tailored to meet the demands of service users; in some cases that may mean significant reductions (mainly after 2011/12) particularly as the Council changes shape.*
- *In the short term HR, Finance and legal advice will be more in demand than ever as the Council needs support for reducing its staff levels to meet financial constraints and its separately for the Change Programme as well as working with new organisations like the social enterprise.*
- *Within Finance this will require a significant restructuring of the service as systems and processes are standardised and simplified, particularly in the area of management accounting.*
- **Transactional services** *will increasingly be centralised, especially in Finance (creditor payment and income collection) & ICT – we will use the simplify standardise and share methodology to drive this. The Procure to Pay Project and Income Collection Review project will be used to drive this forward in the finance areas.*
- *Consideration will be given to extending the Mouchel contract (in line with the process envisaged when the contract was originally let) and also to alternatives. Any extension will be with significant improvements to target efficiencies built in. Benchmarking of alternatives will take place at the same time so that the final decision is based on a sound business case.*
- **ICT systems** *in the department will be reviewed against the ICT technology strategy and roadmap and savings delivered.*
- *Lean work in Revenue and Benefits and Customer Services will be taken forward to see if some of the ICT systems in use can be either switched off or simplified – especially document management and customer relations management.*
- *The web site will be improved to make it easier to manage and to update plus to support enhanced transaction capability to support customer self-service.*
- *Greater self-service using HR and Finance systems will be encouraged.*

- *Greater working with other public sector bodies to achieve economies of scale and investigate shared services/joint working.*

IMPACT OF PROPOSED BUDGET CHANGES

Service impact sheets to be inserted here once updated

KEY NATIONAL & LOCAL DRIVERS FOR MEDIUM TERM PLANS

National

The public sector is facing severe **financial cuts** over the 4 years starting in 2011/12 - the Comprehensive Spending Review period. Although these vary between departments, on average these represent 30% or more real cuts after allowing for inflation. This Council faced a 16% cash reduction in funding from Government in 2011/12, will see at least an 8% reduction in 2012/13, and is yet to find out what the reductions will be in the following two years under the new grant and business rates system.

Further financial changes include:

- Removal of ring-fencing from most Government grants to local authorities but excluding public health and a simplified schools grant. Most ring-fencing of grants has now been removed and many specific grants have been cut. Funding to finance Academies is being 'top sliced' from the grant to support the LEA role i.e. the schools grant.
- Incentives such as national funding (£2 billion nationally and £1.6M locally) to encourage better integration between health and social care (with the latter seen as a means of preventing or reducing demands on health). Also real financial implications of not reducing carbon usage (a new carbon tax) and a financial incentive to freeze Council Tax in 2011/12 and 2012/13. These were all implemented last year, albeit the funding for health and social care was 'top sliced' nationally and was not new money. However the funding received locally was 'pass ported' to those services in 2011/12 as part of this Council's budget.
- National guidelines will be published for Council Tax increases as part of the Localism Initiative and if exceeded these could trigger a local referendum. The implementation date for this change is not yet announced.
- The funding for local government is being looked at as part of what is known as the Resource Review and was published by the Department for Communities & Local Government in July and August. It includes returning business rates growth to local authorities.
 - Those local authorities that grow local business rates more than the average will benefit. However, there is no additional money in the system nationally so the pressures remain.
 - Government will continue to set levels business rates using an inflation index as now.
 - Much depends on the way the first year of the new system is implemented, how the grant figures are initially set, how any short term impacts on business rates such as from vacated MOD sites might impact etc.
 - It is possible this Council will be relatively worse off under the new system in the first few years; later years will depend on how much growth is delivered. We should have greater clarity by the end of 2011 calendar year.

Changes in **Government Legislation** and regulation are a key issue following the national elections and the creation of the Coalition Government with its radical change agenda. Changes include:

- Creation of Academies – creation of new Academies largely free from LA control with immediate effect – schools go through a relatively fast application process that can take only a few months - this is progressing quickly for secondary schools and challenges the way the LEA role should work in future especially as the funding for that role is being removed by Government
- Reform of Health – including demise of PCTs by 2013 and requirement for all delivery functions, including Community Health, to be arms length in 2011/12 – this has now been achieved. Public health will effectively return to the Council as a responsibility from April 2012. The B&NES PCT will become part of a cluster PCT for B&NES plus Wiltshire from April 2012 but may go when a national commissioning body plus clinical commissioning fully takes over in 2013. The Council will be responsible for the Health and Wellbeing Board for the area and working with the Clinical Commissioners and others to meet the area's wellbeing outcomes.
- Removal of Quangos such as the RDA, creation of Local Enterprise Partnerships (at sub regional level such as the West of England), removal of large parts of the performance monitoring regime, removal of the Audit Commission etc - the LEP is in place and the RDA has now effectively gone.
- Localism reforms to encourage more local decision making, greater transparency, reform of the way decisions get taken in LA's, local referenda for any excessive Council Tax increases and various 'Big Society' initiatives – this legislation has still to be implemented but the direction of travel is clear.
- Reform of the planning system – new simplified guidelines for planning, greater presumption in favour of development, community infrastructure levy (to replace much of the role of S106 agreements), removal of top down targets in the regional spatial strategy.
- Tightening of Benefits rules and a radical move towards one unified Benefits system (Universal Credit – also in the CSR) over 10 years but with capping of Benefits being led by Local Authorities from 2013 as a first move – this remains on target although the concerns about how this will be delivered and the impact on our customers and our joined up front office is increasing
- Introduction of The Public Services White Paper which introduces Personal budgets (cash budgets), the ability for companies, charities and community groups can bid to run local health services, schools, libraries and parks. Removes restriction and allows service providers to make a profit (in some areas)

Local

This Council has a **Corporate Plan** and Sustainable Community Strategy under review. The details will be published for consideration by Council in February. Once set this will guide future priorities and methods for working with key partners.

The existing sustainable Community Strategy has the following priorities:

- The causes and effects of *climate change*
- The impacts of *demographic change*
- The need for *growth*
- *Inequalities* in our communities
- A focus on '*thinking local*'

- The impact of recession on our *economy*

The new administration is currently developing its new vision and objectives, these will be agreed in the New Year and a new Corporate Plan will be developed for implementation from April 2012.

In the meantime the **Change Programme** remains as an essential way of delivering efficiencies and service change. The Programme is quite radical and will see the creation of an improved front office – one stop shops, phone enquiry service and web. This has already begun. Similarly the amount of offices is reducing and better, more efficient workplaces are being developed with some space shared with key partners such as health, the police and aspects of the voluntary sector. Better procurement is also delivering savings and the Council is increasingly collaborating with neighbouring authorities in the same market, notably Bristol.

In the systems thinking lean review programme, two services have achieved national recognition.

Our Children's Services contributed to the national review of children's social care by Professor Eileen Munro [and were cited in her Final Report](#); service managers were invited by Professor Munro to speak at the London School of Economics about what they have done and what they are doing that is better and different in terms of service delivery.

The Highways lean review has also achieved national attention and the Council's Highways Manager has been asked to help drive the work of HELG (Highway Efficiency Liaison Group). Finally, the Highways service this year achieved such impressive customer satisfaction results in a national survey, that the manager was invited to present at the National Conference in October.

The Council's Change Programme is constantly reviewed and programme managed. The programme focuses on:

- joining up public services - so that strategic planning, community engagement and customer interaction is simpler and even more effective
- designing services around the needs of individual customers - to remove waste, provide choice and improve customer satisfaction
- meeting the stringent financial challenges - that are facing local government as the major squeeze on public expenditure starts to bite

The work streams are:
:

- Resources
 - customer services (customer contact)
 - community led commissioning
 - support services future delivery
 - all enabling change programme work
- People & Communities
 - Children's Services
 - Academies
 - Review of LEA role
 - 11-19 Services
 - Children's Social care
 - Health & Wellbeing

- public health
- commissioning role (post NHS reforms)
- community services - creation of provider arm (Sirona)

With various enablers:

- workplaces/office accommodation/flexible working
- communications and organisational development
- processes and systems including lean 'systems thinking' reviews and ICT
- finance including medium term planning and service prioritisation
- procurement

The Change Programme is fundamental to the achievement of some of the Council's main efficiency targets and is scheduled to deliver £8M of recurring annual saving by the end of the next 3 years. It has already delivered over £3M so is on target but the complexity of some of the changes does increase as the programme develops. The emphasis will increasingly require cross departmental co-operation.

In response to the growth agenda the Council has progressed its land use **Core Strategy** – part of the Local Development Framework. This will set the context for future business and residential development in the district.

In response to the new incentives for growth from Government a project has been developed - **Planning, Financing & Delivering the Future** - to identify the financial and other implications of investing in growth including through the use of its own sites. This links with the development of plans for Community Infrastructure Levy which will fund some infrastructure from new developments and be paid for by developers using a local variation of a new national system.

MEDIUM TERM SERVICE & RESOURCE PLANS – 2012/13 to 2015/2016

FINANCIAL PLANNING ASSUMPTIONS

1. Context – The Financial Challenge

The Council's Budget for 2012/2013 will represent the second year of financial planning prepared in the context of the Government's Comprehensive Spending Review (CSR) announced in October 2010.

This CSR included a deficit reduction programme with 28% cuts to 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 financial implications for the Council were set out in the Local Government Finance Settlement in December 2010 which showed a 16% cash reduction in funding from Government in 2011/12 and, at least an 8% reduction in 2012/13. The Settlement did not go beyond 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.

Since the approval of the Council Budget for 2011/2012, including the three-year Medium Term Financial plans, the Council continues to gain more information on emerging national and local issues which will add to the financial challenges over the medium term financial planning period – these include:

- In response to the health reforms, the establishment of a Social Enterprise in B&NES on 1st October 2011 to continue the delivery of integrated Community Health and Social Care Services.
- A potential significant increase in the funding to finance Academy schools which is 'top sliced' from the Council general revenue grant funding. The Council was already expecting this to rise to £750K in 2012/2013 but this may now increase to over £2.25M.
- A one-off grant will be provided by the Government in 2012/2013 to support those councils agreeing a freeze in council tax.
- Public health responsibility and related services will return to the Council from April 2013, together with an appropriate budget transfer from the PCT.
- National guidelines will be published for Council Tax increases as part of the Localism Initiative and if exceeded these could trigger a local referendum. The implementation date for this change is not yet announced.
- The funding for local government is being reviewed with the intention of returning at least an element of future business rate growth to local authorities. The impact either positive or negative on the Council will depend on the way the new system is implemented and it is possible this Council will be relatively worse off under the new system in the first few years, with later years depending on how much growth is delivered.

- Responsibility for setting Council Tax Benefit returning to local authorities from 2013/2014 with subsidy funding from Government reduced by 10% at the same time.
- Reform of the planning system – new simplified guidelines for planning with a community infrastructure levy to replace much of the role of S106 agreements.
- New proposals for the future of the Local Government Pension Scheme will be brought forward following the Hutton Review.

These issues are reflected within the Budget planning process for 2012/2013 and the supporting medium term financial plans to the extent the impacts can be reasonably anticipated. It should be particularly highlighted that the scale of changes impacting in 2013/2014 makes the financial implications for the Council beyond the next financial year extremely difficult to predict.

2. Summary of Budget approach for 2012/2013

The sound financial management of the Council over the years means it is in a better position than many other councils to face the continuing financial challenges arising as a result of the national economic situation.

The Council Budget currently being developed for 2012/13 recognises the very difficult financial challenge now facing the whole of the public sector and the continuing need to prioritise resources. The Council will do this using the following principles:

- Protecting wherever possible priority front line services especially where these support the most vulnerable
- Maximising efficiency savings and using invest to save as a means to achieve this.

There are no longer the available resources 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 increasingly means difficult choices.

The following objectives are being used to help prioritise and will be refined as part of the process of compiling a new corporate plan and sustainable community strategy.

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

The approach also needs to be kept under review and linked to the Government's localism agenda is the need to help communities be more resilient and self-sustaining.

There are service specific growth pressures that need to be addressed including impacts of national policy changes. The most significant of these include:

- National increase to the funding 'top sliced' from local authorities to fund Academy schools.
- Rising elderly population placing significant demands on Adult Social Care and Health services.
- Increased demand from adults with learning difficulties.
- Increased demand for Children's care services.
- Inflationary costs particularly for care placements and external service contracts.
- National increase in the rate of the landfill tax.
- Local impacts of the economic downturn and increasing competition.

Taking account of the reductions in government grant funding and the pressures outlined above suggests that around £12m of budget savings will be required in 2012/2013.

It is anticipated that the majority of these savings will be delivered from efficiencies through service review and the Council's Change Programme. However, the scale of the projected savings in 2012/2013 coming on top of those delivered in 2011/2012 is such that the Council will need to prioritise services and whilst every effort will be made to protect frontline services, this will inevitably lead to cuts in service areas which are considered lower priority.

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 an even greater prioritisation of services.

3. Council Tax

On 3rd October 2011 the Government announced the provision of one-off funding to support 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 2012/13 to Council in February 2012 as part of the 2012/2013 budget setting process.

4. Government Grants

The Council currently receives approximately £43.5m in formula grant from the Government which is distributed using a complex formula known as the Four Block Model. This formula includes significant weightings attached to deprivation based indicators across a range of specific service blocks

The Council has historically lost significant funding (around £2.5m per annum) from its formula grant settlement through the application of the damping system or, in layman's language, the protection by Government of other authorities who should be getting less on a needs basis than they currently are. For 2012/2013 the level of damping is expected to be £2.3M.

Whilst a reduction in formula grant of at least 8% is anticipated for 2012/2013, following a recent consultation by the Government in respect of the funding for Academy Schools, we are anticipating a further significant adjustment to this grant when announced towards the end of 2012. Our modelling indicates that a potential significant increase in the funding which is 'top sliced' from this grant funding. The

Council was already expecting this to rise to £750K in 2012/2013 but this may now increase to over £2.25M.

As set out in Section 1 above, this funding distribution method for local government finance is being reviewed with the intention of returning at least an element of future business rate growth to local authorities. The impact, either positive or negative, on the Council will depend on the way the new system is implemented and it is possible this Council will be relatively worse off under the new system in the first few years, with later years depending on how much growth is delivered.

In addition the Council receives a range of specific and area based grants directly supporting activity in each service area. These grants were simplified but subject to significant reductions during 2010/2011 and 2011/2012. The ring fence around many of the grants was also removed therefore offering more local choice albeit within tougher financial constraints.

Whilst some small further reductions have been factored into specific service areas within the Medium Term Service and Resource Plans, the assumption for financial planning purposes will be for any further cuts in specific and area based grants will be contained within the relevant service areas. High levels of further cuts in specific grant are not anticipated.

5. Medium Term Service and Resource Plans

The Medium Term Service and Resource Plans prepared by each service area provide for the anticipated level of savings required to ensure the Council is in a position to consider a balanced Budget proposal for 2012/2013. Savings in excess of £12M are estimated for 2012/2013 at this stage equating to over 5% of gross expenditure (excluding schools).

Due to the changes in the government grant funding system for local authorities from 2013/2014 and the significant range of additional changes impacting from this year, it is extremely difficult to forecast future savings requirements. The implications for local authorities set out in the Comprehensive Spending Review together with the potential impacts of these changes do indicate the potential for significant financial pressures in future years.

The comprehensive spending review indicated a further 1% cut in funding for local Government in 2012/13 and a 5.6% cut in 2014/15.

6. Reserves

The budget for the current financial year 2011/2012 provides for the Council's General Fund Balances to be maintained at their risk assessed minimum level of £10.5m. There are no assumptions to change this position.

A range of Earmarked Reserves are maintained by the Council for specific purposes and commitments and these are set out below. The likely commitments against each of these reserves will reviewed as part of the ongoing development of the Budget for 2012/2013.

The Council's reserves position remains relatively strong but can only be used once, with the overarching principle of not using reserves to provide support for recurring budget pressures.

7. Pensions

The most recent actuarial review as at 31 March 2010 concluded a number of positive factors which did not require any significant variation in the Council's employers contribution level overall. These factors included:-

- The Avon Pension Fund investments have performed relatively well albeit since that review investments generally have been volatile and affected by poor stock market performance.
- The Government has switched the rate for future pensions increases from the Retail Price Index (RPI) to the historically lower measure of the Consumer Price Index (CPI).
- A national review of public sector pensions schemes is being undertaken by the Government (the Hutton Review).

The outcome of the actuarial review was factored into the Budget for 2011/2012 and whilst no change was provided for in terms of the overall contribution level for the Council, the implications of a reducing workforce may require a further adjustment by the Council to maintain this neutral cash position from 2012/2013 or subsequent financial years.

8. Pay Awards

In accordance with national government expectations for a public sector pay freeze continuing into 2012, no provision for pay increases will be provided for financial planning purposes in developing the 2012/2013 Budget.

9. Other Assumptions

Some of the other key assumptions being used in the development of the medium term plans include:

- No further provision has been made for retrospective or additional cuts to the Government funding levels announced in the 2011/2012 financial settlement.
- Balanced budgets are delivered for 2011/2012 - there is no provision for overspending.
- No general provision for inflation has been made although services have provided for known specific costs pressures.
- Interest earnings are based on a 1% return – the average Council investment return has fallen in recent years to just over 1%. No increase is now expected going forwards into 2012/2013.

10. The Local Government Finance Settlement 2012/2013

The Local Government Finance Settlement is expected in early December 2011 and this will provide the detailed position for the Council in terms of exactly what Government funding it will receive for the year ahead. We expect this to include confirmation of any further reduction in grant funding to finance Academy schools as set out in Section 1.