

## **COUNCIL – 19 FEBRUARY 2013**

### **BUSINESS STRATEGY AND SERVICE & RESOURCE PLANNING 2013/14 – 2016/17**

#### **Commentary on the Opposition and Green Group's amendments to the proposed budget 2013/14 – 2016/17**

**by Assistant Chief Executive & Chief Finance Officer**

#### **Introduction**

1. This report needs to be read in conjunction with my budget report to Council on Business Strategy and Service & Resource Planning 2013/14 – 2016/17, setting out my commentary on the Council's financial position overall including the adequacy of reserves and balances.
2. The Opposition (the Liberal Democrat Group) and the Green Group have produced amendments to the Cabinet's budget. The commentary on those amendments is set out below. The amendment put forward by the Labour Group does not contain financial changes, and therefore does not require any commentary.

#### **Liberal Democrat Group**

##### **Overview**

3. The Liberal Democrat Group's budget proposals are based on a 1.99% council tax increase in 2013/14, 2.5% in 2014/15 with a 3.75% increase in 2015/16 and beyond. This is the same as the Cabinet's proposals.

##### **Investment Proposals and Directorate Savings**

4. The amendments to the Directorate expenditure and savings proposals are included within Annex 1 to the Liberal Democrat Group's Report. They are discussed with the Directorate proposals below.
5. Additional savings totalling £1.7m over the four year period to 2016/17 are proposed which are all subsequently allocated back to services. The savings are achieved by reducing expenditure, increasing savings and utilising reserves, whilst the additional expenditure is applied by re-profiling some savings and adding some additional expenditure.

## Directorate Proposals

### *Savings*

6. The additional savings proposed by the Liberal Democrats include reducing the inflation provision for contracts in both 2013/14 and 2014/15. The proposal is to reduce contract inflation from 3% proposed by the Cabinet to 2.75% in both 2013/14 and 2014/15. The reduction would need to be managed within the existing contract provision or absorbed elsewhere by directorates. There is some risk to this, particularly for adult social care and highways however as CPI inflation is currently 2.7% and has been for several months, the risk is tolerable. The reduction gives rise to additional funding of £0.4m in 2013/14 and a further £0.4m in 2014/15.
7. Savings are proposed which adjust the pensions budget for past service deficit. The current budget is £1.5m and it is proposed to reduce this by £0.5m from 2013/14 on an on-going basis. The impact of this reduction is uncertain but there is a risk that this could lead to an increase in the employers contribution rate due to a shortfall on the past service deficit when the next revaluation is undertaken in 2013 for implementation in 2014/15.
8. Other savings include reductions in the marketing and communications budget of £0.05m; energy savings of £0.05m; increasing the savings arising from property rationalisation from 25% to 30% generating an extra £0.075m saving and proposals to share senior management with another local authority saving £0.2m.
9. The final saving relates to using 5% of Directorate forecast reserves over 2013/14 and 2014/15. This equates to £1.8m and has not been explicitly targeted at any one reserve. Earmarked reserves are held for specific purposes, and a decision will be required on which funds will be utilised, and only then could the impact be assessed.

### *Additional Expenditure*

10. In Children, Education & Families, the Liberal Democrat group propose a phasing of the savings planned by the Cabinet relating to Children's Centres to deliver savings of £0.4m in 2014/15 rising to £0.8m in 2015/16, compared to the Cabinet's budget which implements savings of £0.8m in 2014/15. In relation to corporate parenting, it is proposed to halve the saving planned by the Cabinet of £0.36m to £0.18m, £0.09m in 2013/14 and £0.09m in 2014/15.
11. New expenditure is planned through the introduction of a travel concession scheme for 16-18 year olds from 2014/15, estimated to cost £0.35m following a feasibility study in 2013/14 with a one-off cost of £0.025m. The budget is reduced to £0.127m in 2015/16 with the expectation that funding will come from the transport companies. There is a risk that if this additional funding isn't forthcoming the scheme would have to be reduced or other savings made to fund it.

12. Additional on-going funding of £0.1m is also made available for additional youth workers from 2013/14.
13. In relation to Social & Community Services, the proposals remove the £0.2m saving relating to increased Day Centre charges in 2013/14 and 2014/15 and to halve the transport charges to Day Centres which were agreed by Cabinet in January 2013. This would create a pressure of £0.1m from 2013/14 as the savings built into the existing MTFP are from 2012/13.
14. Additional investment is also proposed in Social & Community Services to fund 5fte occupational therapists to support the elderly. One-off funding is also proposed in 2013/14 for community events to support the elderly.
15. In Environment & Economy, the Liberal Democrats propose, to maintain a broader based Area Stewardship Fund at a level of £10,000 per member on an on-going basis from 2013/14 to fund councillors' local priority schemes. This would be in addition to the Cabinet one off funding for maintenance. In addition an investment of £0.1m, increasing to £0.2m in 2015/16 is proposed to undertake annual gully clearance and flood prevention.
16. The Liberal Democrats propose to continue the Big Society fund for an additional year in 2013/14 with a one-off investment of £0.6m.
17. In the Capital Programme, funding of £0.25m is proposed for match funded cycling and pedestrian schemes. This additional commitment in the programme would be met from contingencies. Given the size of the investment, the proposed funding mechanism is considered reasonable.

## **Summary**

18. The Liberal Democrats have produced amendments to the Cabinet's proposals which are in the main funded from reducing some expenditure, along with the use of reserves. The proposed use of the efficiency reserve over the medium term is the same as the Cabinet's proposed use. This has enabled some alternative funding proposals all of which are considered deliverable.

## **Green Group**

### **Overview**

19. The Green Group's budget proposals are based on a 3.75% council tax increase in 2013/14 and increase of 3.75% beyond then, the same level as the Cabinet from 2015/16. The proposed increase of 3.75% in 2013/14 is above the level which will trigger a referendum. The cost of holding the referendum is built into the Green Group's budget proposals.

20. If an authority has set an excessive council tax increase, it must also make substitute calculations to produce a relevant basic amount of council tax which does not exceed the excessiveness principles. If a precepting authority sets an increase in excess of the principles, the substitute precept would automatically take effect in the event that voters reject the authority's increase in a referendum. The Green Group has not produced a substitute calculation. If in the event of voters rejecting the increase of 3.75% in a referendum, then the Cabinet's proposed budget would be applied as the substitute calculation.

## **Investment Proposals and Directorate Savings**

21. The amendments to the Directorate expenditure and savings proposals are included within the annex to the Green Group's Report. They are discussed with the Directorate proposals below.
22. The savings proposal is achieved through an increased level of council tax for 2013/14 and 2014/15 compared to the Cabinet. The 3.75% council tax increase for 2013/14 generates additional funding of £9.0m over the 4 years to 2016/17 but also builds in the cost of holding a referendum and potential rebilling costs of £0.5m. Compared to the Cabinet's proposed council tax increase of 1.99%, the Green Group's proposed increase would result in a Band D equivalent council tax of £1,205.27, £20.44 per year more than the Cabinet's proposal.
23. The additional income raised over the four year period is proposed to be subsequently allocated back to services. The additional expenditure is applied by reducing savings, adding additional expenditure and adjusting contributions to/from reserves.

## **Directorate Proposals**

24. In Children, Education & Families, the Green Group are proposing to remove the £0.8m saving proposed by the Cabinet in relation to Children's Centres from 2014/15. In addition, they propose new funding to increase social work support for adolescents, to support English classes for speakers of other languages and funding for short breaks to support carers of disabled children. These proposals total £0.5m from 2013/14.
25. A significant proportion of the additional expenditure relates to Adult Social Care. The proposals reduce the savings in older people, learning disabilities, physical disabilities and day centres for older people. In total reduced savings of £3.2m are proposed for 2013/14 with further reductions of £1.2m by 2016/17. With a proportion of the savings being removed in relation to the older people's pooled budget, the contingency held in Strategic Measures of £2.3m as proposed by Cabinet would be reduced to £1.3m.
26. New expenditure is planned in Adult Social Care for community development, advice and advocacy, carers' services (including short breaks), specialist and crisis care, homelessness services and funding for carers' incapacity and

increased spending on mental health. This additional investment totals £2.4m from 2013/14.

27. For Cultural Services, the Green Group propose to restore previous reductions in funding across the service totalling £0.4m.
28. In the Capital Programme, additional funding of £10m is proposed to improve dangerous roads, reduce cycling accidents and for insulation schemes aimed at reducing fuel poverty. This will be funded through prudential borrowing, with annual revenue costs of £0.4m. In terms of the impact on prudential indicators, this additional spend is considered affordable.
29. The net effect of the additional income raised and expenditure proposals result in a lower amount required to be drawn from the Efficiency Reserve to balance the budget over the medium term. By the end of 2016/17, the Efficiency Reserve would still be in surplus and have £2.1m more than that proposed by the Cabinet.

## **Summary**

30. The Green Group has produced amendments to the Cabinet's proposals which increase the level of council tax in 2013/14 above the level which will trigger a referendum. The risk to this proposal is if voters do not accept an increase in council tax of 3.75%, in which case the Cabinet's proposals would apply. A significant amount of the additional income is then put into Adult Social Care, reducing the savings required. These amendments are considered reasonable and deliverable.

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