

# Bolton Council

Report to: Council

Date: 26<sup>th</sup> February 2014

Report of: Deputy Chief Executive Report No:

Contact Officer: S. M. Arnfield Tele No: Ext. 1502

Report Title: **2014/15 and 2015/16 Budget Report**

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Purpose:

1. To consolidate Service Budgets to provide the Council's overall 2014/15 and 2015/16 Budgets
2. To consider the options for Council Tax in 2014/15
3. To consider the use of "Available Funds"
4. To show the transactions on the Collection Fund
5. To report on the Financial Arrangements Account for 2014/15

Recommendations:

- It is recommended that Council approve:-
- (a) The Budget for 2014/15
  - (b) The Council Tax for 2014/15
  - (c) The use of the available funds

Background Doc(s):

Statement on Local Government Finance (England) Revenue Support Grant for 2014/15 and related matters papers dated 18<sup>th</sup> December 2013.

## 1. **BACKGROUND**

### **Cabinet 17<sup>th</sup> February 2014**

At the meeting of the Cabinet on the 17<sup>th</sup> February 2014 the Cabinet agreed to recommend to Council:-

- i) The Revenue Budget as set out in the Budget Report
- ii) That Council Tax be increased by 1.94% in 2014/15. For the Council's element of Council Tax this represents an increase of less than 31p per week for a Band A property (approximately 50% of Council Tax payers don't pay the full increase either because they are in receipt of Council Tax Benefit or a discount)
- iii) That £0.4m of the on-going saving from the reduced precept from TfGM be earmarked to fund an increase in the pay for those at the lowest end of the Council's pay scales. The balance of £0.6m in 2014/15 be added to the available one-off resources with the balance of the ongoing saving of £0.6m being held to offset the £25m reductions required in 2015/16
- iv) That the one-off resources be allocated as follows:-
  - £1m additional investment in main highways schemes
  - £1m investment in residential roads
  - £1m capital investment in facilities for young people
  - Half a million pounds to create a hardship fund to support those who are in difficulty as a result of the impact of Benefit changes
  - Half a million pounds to create a fund to provide support for voluntary and community groups who are considering working with the Council to assist in the reduction in demand for Council services
  - £3m be retained as a contribution towards the likely cashflow shortfall in 2015/16 (currently estimated at approximately £10m)

### **Purpose of the Report**

The purpose of this report is to present to the Council the final details on the 2014/15 Revenue Budget to enable the Council to determine the Revenue Budget and Council Tax for 2014/15.

This report also sets out:-

- (a) the overall budget for 2014/15 indicating the major variances from the previous year;
- (b) the transactions on the Collection Fund; and
- (c) the Financial Arrangements Account for 2014/15.

Budget setting represents the final phase of the Corporate Business Planning Process for 2014/15.

### **2013/14 Outturn**

The projected 2013/14 outturn expenditure (excluding Schools) is £235.7m and as a consequence of this, available General Fund balances are expected to be approximately £10.66m at the 31<sup>st</sup> March 2014. This takes into account the commitments to purchase Moor Lane and the Interchange development site from TfGM.

The above projected 2013/14 figures also assume spending delegated to schools will be in line with the budget. School balances, as required by legislation, are carried forward for the sole use of schools.

## **2. 2014/15 REVENUE SUPPORT GRANT SETTLEMENT**

In the Chancellor of the Exchequer's Autumn Statement on the 6<sup>th</sup> December 2013 the Government indicated that Local Government would not be asked to find any further reductions in 2014/15 but this was on the basis that Local Government was freezing Council Tax. In addition it was announced that the Secretary of State has reversed the previous decision to top slice New Homes Bonus to transfer resources to the Local Economic Partnership (LEP). This will result in the Council not losing £1.5m in 2015/16. However subsequently it has come to light that the Government have decided to end their grant for the Local Welfare Fund in 2015/16 which amounts to £1.2m. This grant provided support for the most vulnerable and needy in the community and the Council will need to provide funding from within its own resources in order to maintain this scheme.

On the 18<sup>th</sup> December 2013 the Government announced its proposed Revenue Support Grant for Local Government for 2014/15 and indicative figures for 2015/16. The Grant figures for 2014/15 announced in the Settlement are in line with those forecast last February and therefore savings of £21.7m are required to balance the budget. These figures represent an **18%** reduction in Revenue Support Grant compared to the current year (2013/14). Savings at £22m are a **13%** reduction on the Councils controllable budget (ie excluding schools, precepts and levies and Public Health which is ring fenced) of £170m.

The only outstanding issues for 2014/15 is the setting of Council Tax. The rules and conditions that the Government set over the Council Tax Referendum threshold and entitlement to the Council Tax Freeze Grant are set out in Section 6.

The funding that the Council will receive includes RSG, Business Rates Top-Up, New Homes Bonus, Education Services Grant and Public Health funding and these are included in the table in section 4 and also in Appendix A.

**Council Tax Benefit** - In April 2013 the National Council Tax Benefits Scheme came to an end and the Council introduced their own local scheme.

**Business Rates** - From April 2013 the Government also transferred responsibility for Business Rates to Local Authorities. However, this was only a partial transfer as Central Government still determine the overall level of the business rates charge and also retain 50% of the business rates income. The Council is therefore responsible for 50% of the risk of non-collection of business rates. In the current economic climate there are still a number of businesses who are going into administration and the likelihood of non-collection is therefore more significant. An allowance was made for some losses on collection when the Budget was set in February 2013 and recent monitoring of this position has confirmed that the budget is adequate. Further monitoring will take place over the next 12 months and the position reassessed for the 2015/16 budget.

Included in the Grant Settlement is an indication from Government that whilst the Business Rates formula suggests an increase of 3.2%, the Government are proposing to cap this at 2%. They have indicated that they will provide additional funding up to the 3.2% to compensate Local Authorities. This compensation is welcome although it is not clear if this compensation will be maintained beyond 2014/15.

## **3. BUDGET ASSUMPTIONS**

Cabinet Members have considered and approved their overall budgets and copies of the reports are included on this agenda.

The above are reflected in the forecast set out in detail in Appendix A and summarised in the next section.

#### **4. EXPENDITURE FORECAST (see next page)**

An updated assessment has been made of the likely increased financial demands facing the Council as set out below.

**Inflation** – An assumption has been made that overall general inflation impacting on the Council will be 2% in each of the next 3 years. In last year's Autumn Statement the Government indicated that they will restrict public sector pay awards to 1% in each of the next 2 years. The forecast therefore assumes a pay award of 1% in each of the next 3 years.

Price inflation is generally reducing at the moment, although in specific areas, it is still running at a high level. It is hoped to offset increases in many areas of Council expenditure by securing cost effective prices through our procurement processes. The area of major concern is energy costs. General inflation of 2% has been included and 10% for energy.

**Schools Funding** – The forecast includes the additional funding for the pupil premium notified by the Government which increases each year. In line with Government indications, it is assumed that there is no separate increase for inflation in 2014/15 and 2015/16.

**TfGM Funding** – In terms of Waste Disposal the forecast includes the current assumptions for price increases indicated by the AGMA Waste Contract and the forecast levels of tonnages based upon the current waste collection service. The WDA have agreed a medium term plan for increases in the levy which help to support the Districts in having to make significant financial savings in 2015/16 and 2016/17. However, this approach will leave Councils with a potential significant increase in the levy in 2017/18.

The TfGM levy has been increased in line with the original forecast from AGMA. TfGM have subsequently reduced the levy compared to the original forecast which has saved £1m in the Council's on-going budget. (See Section 7 below).

**Pensions** – It is assumed that a 1% increase in the cost of pensions will be required in each of the next three years in line with the Actuaries forecast.

**Other** – Forecast increased demand in Adult Services has resulted in an additional £400,000 being built into the forecast for next year in addition to the extra Government funding we receive to also support increased service demand. For 2015/16 and 2016/17 an additional £1m per year has been included as there is no certainty over the continuation of Government funding in the future.

**Public Health** – On the 1<sup>st</sup> April 2013 responsibility for Public Health transferred to the Council. This transfer was accompanied by additional resources and these are estimated at £18.9m for 2014/15.

The Government have also determined that this funding is ringfenced and must be spent on Public Health. Public Health funding has therefore been included as a separate line in Appendix A. The same figure has been used in each year but will be revised if we get any further information from Government.

**Balances** – Members will recall that I previously indicated that because of the additional risks being borne by the Council with having a local council tax benefits scheme and the transfer of the risk on business rates collection, that balances should be increased to £10m. Balances were increased to £10.7m as part of the 2012/13 final accounts process.

In determining the budget for 2013-15, the Council agreed to provide an annual contribution of £2m from Reserves for a 4 year period. This has been built into the on-going budgets.

All the above are reflected in the forecast set out in detail in Appendix A.

### **EXPENDITURE FORECAST**

Taking into account the changes in the previous sections, a summary of the overall budget position for the next 2 years is as follows:-

	<b>Forecast 2014/15 £000s</b>	<b>Forecast 2015/16 £000s</b>
<b>Previous Year's Net Budget</b>	484,827	477,458
Additional Public Health Transfer	791	-
<b>Increases:-</b>		
Schools DSG	3,132	-
<b>Non School Services</b>		
Inflation	5,559	4,115
Capital Financing	800	-
WDA / TfGM	1,485	1,525
Other Corporate	200	250
Pensions	971	1,004
Adults Growth	400	1,000
LPSA Reward	1,000	-
Loss of Local Welfare Fund Grant		1,214
Savings Required	-21,707	-25,276
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Budget Requirement	477,458	461,290
<b>Resources</b>		
Direct Schools Grant	226,481	226,481
Public Health Funding	18,906	18,906
Education Services Grant (ESG)	5,456	4,400
New Homes Bonus	3,371	4,200
Use of Reserves	2,000	2,000
Retained Local Business Rates	41,888	43,054
Business Rates Top-Up	18,813	19,332
Council Tax Contribution *	88,690	90,504
Revenue Support Grant	73,420	52,413
	-----	-----
<b>Total Resources</b>	479,025	461,290
One-off Available for Allocation	1,567	-
<b>Council Tax Increase (indicative) *</b>	1.94%	2%

The above table is based upon an illustrative 1.94% increase in Council Tax but Members need to formally determine the actual Council Tax increase. The options are outlined in Section 6. The table also illustrates that there is a one-off balance of £1.6m available in 2014/15 to either invest in one-off initiatives or to add to general balances. This has arisen partly because the Education Services Grant has been maintained at a higher level in 2014/15 than expected, although it does reduce by a further £1m in 2015/16. In addition, there have been minor changes in terms of the total Business Rate take and the level of the New Homes Bonus which have again provided one-off resources in 2014/15.

The above table does not reflect the final decision by the TfGM to reduce their levy. This is referred to in Section 7 below.

## 5. **2014/15 REDUCTIONS**

The above table identifies that reductions of £21.7m are required to balance the budget for 2014/15.

These savings were agreed as part of the 2013/14 budget approval process and are being met from the following services:-

	<b>£M</b>
Adults	2.5
Children's	2.7
Development & Regeneration	1.4
Environment (excl. Waste)	3.4
Chief Executive's	3.0
Corporate	8.7
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Total	21.7
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Details of the changes included in the above figures are set out in Appendix B.

The reductions over 2013/14 and 2014/15 have been analysed to reflect the potential impact that savings will have on customers the analysis shows the following:-

<b>Type of Saving</b>	<b>2013-15 %</b>
Financing changes, use of Reserves etc.	24.7
Efficiencies: administrative/management changes	24.2
Efficiencies: buying arrangements	3.8
Efficiencies with some impact on customers/clients	12.9
Additional Income	0.5
Direct Service Impact	33.9
<b>Total</b>	<b>100.0</b>

The above impact is reflected in the Equality Impact Assessment included in Appendix K.

## 6. **SETTING COUNCIL TAX FOR 2014/15**

The Secretary of State has announced that the Referendum limit for 2014/15 is 2%. If the Council was to increase its Council Tax by 1.94%, i.e. below the Referendum threshold, this would raise £1.6m in income. This is in line with the forecast in Section 4.

The Secretary of State also confirmed that for those Councils that freeze their Council Tax in 2014/15 a Council Tax Freeze Grant would be awarded which will provide funding for both 2014/15 and 2015/16. This would amount to a grant of £1m and if the Council was to accept this grant, then the overall resources available to the Council would be £0.6m less than assumed in the forecast in Section 4.

In effect the Council has two main choices as summarised below: -

	<b>Raises</b>	<b>Less than Forecast</b>	<b>Revised One-off Funds Available</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Set CT below the Referendum Limit, ie. +1.94%	1.6	0	1.6
Accept CT Freeze Grant and set CT at a 0% increase	1.0	0.6	1.0

Members will need to strike a balance between the immediate impact of a Council Tax increase on Council Tax payers and the on-going permanent increase in the Council Tax base of increasing Council Tax. A 1.94% increase in Council Tax for Bolton Council is the equivalent to an additional 31p per week on Band A properties which are more than 40% of the properties in Bolton. The permanent addition to the Council Tax base would be the £1.6m additional income.

**Members are asked to consider which of the above 2 options they wish to be taken forward – the recommendation of the Cabinet is set out at the beginning of this report.**

## **7. AVAILABLE FUNDING**

The Council is facing significant financial pressures in 2015/16 which are currently forecast to require savings in the order of £25m. This is a significant challenge and in the light of £100m of savings having already been made in previous years, any options which are developed are likely to take a significant amount of time to implement. It is therefore unlikely that sufficient savings will be able to be delivered by April 2015 to meet the full £25m in that year. Considerable more work needs to be done on this but a broad initial assessment suggests that this shortfall could be as high as £10m.

It is intended to undertake a full review of the Council's existing reserves over the next 3/4 months to see if there is any scope to identify additional one-off funding to contribute towards meeting this cashflow shortfall in 2015/16.

It has been part of the Council's strategy to capture any on-going savings that have arisen since April 2013 and hold them as a contribution towards the £25m savings required in 2015/16. As a consequence the benefit of these savings in 2014/15 are available as one-off resources which can be considered for investment in key initiatives or alternatively held to fund the cashflow shortfall in 2015/16.

### **On-Going Funding**

As highlighted previously, the TfGM have reduced their levy in 2014/15 saving the Council an on-going budget of £1m.

Members have expressed a view previously that they would wish to consider the possibility of increasing the pay levels of staff at the lowest end of our pay scales. Some improvement was made in the 2013/14 budget and the saving in the TfGM levy provides the opportunity to consider some further improvements to these pay levels on an on-going basis.

The alternative would be to add some or all of the reduced levy to the available one-off resources in 2014/15 and allocate some or all of the on-going £1m saving as a contribution towards the £25m saving requirement for 2015/16.

**Members' views on the use of this resource both in 2014/15 and on-going is sought - the recommendation of the Cabinet is set out at the beginning of this report.**

## **One-Off Funding**

There are a range of one-off funds that the Council needs to consider. These are as follows:-

<b>Revenue</b>	<b>£m</b>
In 2013 the Council received a Dividend from the Airport greater than that included in the original budget. (The Dividend is higher than in a normal year due to special Dividend we received following the change in the Airport structure and the acquisition of Stansted)	1.6
Also in 2013 the Council received a Dividend from Yorkshire Purchasing Organisation	0.4
The Waste Disposal Authority has agreed a one-off distribution from its Reserves which provides the Council with an additional	0.8
Education Support Grant higher than anticipated	1.0
As outlined in Section 6, the Council will have some one-off funds available in 2014/15 depending upon whether or not they agree to accept the CT Freeze Grant or set CT just below the Referendum Limit	1.0/1.6
2014/15 saving in TfGM levy	up to 1.0
<b>Total One-Off Revenue Available</b>	<b>4.8/6.4</b>

## **Capital**

The Council has received its proportion of Capital Receipts from the sale of properties by Bolton at Home. **1.0**

The Council could consider allocating some or all of the above funds to specific initiatives as it has done in previous years. (The Capital Receipt would have to be invested in a capital project). This could include investment in Town Centres, the general economy, anti-poverty, highways, leisure, provision for young people, support for voluntary/community groups, greenspace etc.

Members may alternatively wish to consider allocating some or all of the above Revenue one-off resources to meet any cashflow shortfall in 2015/16.

**Members' views on the use of these one-off resources is sought - the recommendation of the Cabinet is set out at the beginning of this report.**

## **8. STAFFING IMPACT**

The options agreed in February 2013, indicated that over the two years 2013/14 and 2014/15 approximately 486 posts would be deleted. However the majority of the savings have been delivered during 2013/14 and therefore as identified in Appendix B for 2014/15 only 121 posts remain to be deleted, there are 85 vacancies which leaves approximately 36 posts where there is a potential redeployment/redundancy. However a number of staff, who had expressed an interest to go as part of the last Voluntary Severance initiative, are waiting for the outcome of a service review. This should reduce the numbers at risk even further.

In the last 3 years the Council has managed to secure a reduction of over 1,000 posts, all through voluntary means. This has been achieved by:

- Four corporate voluntary severance and voluntary early retirement “campaigns”, to provide the opportunity for people who wish to leave to do so. Vacancies secured through these exercises have either been deleted to deliver immediate savings or held as redeployment opportunities.
- Facilitating voluntary redundancy requests where possible
- Operating a comprehensive redeployment period of 9 months in total, under which staff who are displaced are helped to secure other posts within the council. To date we have redeployed over 92 people
- Deleting all available vacancies; effectively “freezing” external recruitment and covering any service critical gaps through the use of agency staff, fixed-term contracts and internal secondments, pending the appointment of redeployees.

As indicated in the previous paragraph it is intended to continue with these initiatives in order to seek to achieve further voluntary reductions in posts over the next year.

## **9. BALANCES/FINANCIAL RISKS**

Members will be aware that I have provided advice on the recommended level of Balances to be maintained previously. The full detail, including an identification of financial risks, is set out in Appendix D. However, in summary this advice is as follows.

Currently it is estimated that available Balances as at the 31<sup>st</sup> March 2014 will be £10.66m. My advice to Members is that I recommend, as a minimum, Balances of £10.0m or higher should be maintained based upon my understanding of the risks and financial issues facing the Council over the next 3 years and the proposals around the Budget, as identified in this report. Should Members wish to agree any additional items for growth or for savings not in this report, then I will need to advise Members as to whether or not those proposals would result in an increase in the financial risk facing the Council and therefore a need for a higher level of Balances to be set as a minimum.

### **Overall**

Based upon the assumptions set out in this report, I consider that the Council’s Budget is robust.

## **10. THE FINANCIAL ARRANGEMENTS ACCOUNT**

This account deals with the strategic financial transactions which fall outside the remit of any one Service.

The transactions on this account are set out at Appendix G along with a brief explanation of major changes.

## 11. PARISH PRECEPTS

The individual parish precepts are shown below with comparative figures for last year.

	<b>2013/14</b>	<b>2014/15</b>
	<b>£</b>	<b>£</b>
Blackrod	49,000	49,900
Horwich	184,386	185,386
Westhoughton	129,049	129,049

As required by the Local Government Finance Act 1992, the Parish Precepts need to be added to Bolton's budget requirement.

## 12. BUSINESS RATES

The recent Government statement has provided final figures for Revenue Support Grant (£73.420m) and Business Rates Top-up (£18.813m). It should be noted that the National Non Domestic Rate next year is 47.1p in the pound for small businesses and 48.2p in the pound for larger businesses.

## 13. COUNCIL TAX 2014/15

The figures in the following paragraphs are based upon a Council Tax increase for Bolton Council (including Waste and Transport Levies) of 1.94%. The overall Council Tax increase, including Police and Fire Precepts, is 1.87%.

### Police and Fire Authority Precepts

The Fire and Civil Defence Authority Precept and the Precept for the Police Authority has been estimated as follows:-

	<b>Band A</b>	<b>Band D</b>	<b>Increase</b>
	<b>£</b>	<b>£</b>	<b>%</b>
Police	101.53	152.30	1.99
Fire & Civil Defence	38.42	57.64	0.00

On the basis of a total budget requirement of £222.811m (i.e. total expenditure less Direct Schools Grant, New Homes Bonus, Public Health funding and use of Reserves) the balance to be raised from Council Tax is £88.654m as shown below:-

	2013/14		2014/15	
	£000s	£000s	£000s	£000s
Bolton Parish Precepts		235,724 362		222,811 364
Budget Requirement		236,086		223,175
LESS Collection Fund (Council Tax)		400		400
		235,686		222,775
LESS INCOME				
Revenue Support Grant	89,500		73,420	
Business Rates Top-Up	18,454		18,813	
Non Domestic Rates	40,897	148,851	41,888	134,121
Balance to be raised from Council Tax		86,835		88,654

The Council Tax base for tax setting purposes in 2014/15 is 69,162 Band D equivalent properties.

The basic amount of Council Tax for the part of the Council's area where no Parish Precepts apply but including for the Police and Fire and Civil Defence precepts, is £990.99 for a Band A property and £1,486.50 for a Band D property.

The Council Tax bases for tax setting purposes for the Town Council areas are as follows: -

	Tax Base in Band D Equivalents
Blackrod	1,767
Horwich	6,959
Westhoughton	8,091

The resultant additional Council Tax in each Town Council area for Band A and Band D properties are as follows:-

	Additional Council Tax Band A	Additional Council Tax Band D
	£	£
Blackrod	18.83	28.24
Horwich	17.76	26.64
Westhoughton	10.63	15.95

The above figures relate to Band A and D properties. The table below shows the total Council Tax for all Bands in the various areas:-

<u>Valuation Bands</u>	<u>Parish of Blackrod</u>	<u>Parish of Horwich</u>	<u>Parish of Westhoughton</u>	<u>All other parts of the Council's area</u>
A	£1,009.82	£1,008.75	£1,001.62	£990.99
B	£1,178.13	£1,176.89	£1,168.58	£1,156.17
C	£1,346.43	£1,345.01	£1,335.51	£1,321.33
D	£1,514.74	£1,513.14	£1,502.45	£1,486.50
E	£1,851.34	£1,849.38	£1,836.31	£1,816.82
F	£2,187.95	£2,185.64	£2,170.20	£2,147.16
G	£2,524.56	£2,521.89	£2,504.07	£2,477.49
H	£3,029.48	£3,026.28	£3,004.90	£2,973.00

For information Appendix I sets out a comparison between the level of Council Tax in 2013/14 and 2014/15 (for those areas which do not include the Parish Council Precept) and the percentage of properties in each band.

Approximately 50% of households will receive reduced Council Tax bills through the Council Tax Support Scheme and Personal Discounts. For Council Tax the maximum support through the Council Tax Support Scheme is 100%. Some households will, therefore, not pay Council Tax. This will be highlighted on their bill. Consequently at this stage it is not possible to give an average bill.

#### **14. OTHER REQUIREMENTS**

The Budget contained in this report assumes that the Council Tax is set at the Council Meeting on the 26<sup>th</sup> February 2014. Should the Council not be able to set the Council Tax on that day then a week's delay will put back the processing and distribution of Council Tax bills which will incur additional costs.

#### **15. EQUALITY IMPACT ASSESSMENT (EIA)**

Members will be aware that the Council's budget process is guided by a clear philosophy, which seeks to protect the Borough's most vulnerable people; and limit the impact of the savings on the delivery of the Council's priorities as far as possible. Assessing the impact of the Council's financial decisions is therefore an important part of the budget process.

Members will recall that in February 2013 an overall impact assessment for the £34.6m savings options was undertaken. This strategic EIA, attached at Appendix K, has been updated to reflect changes since the February 2013 Budget report.

#### **16. RECOMMENDATIONS**

It is recommended that Council approve:-

- (a) The Budget for 2014/15
- (b) The Council Tax for 2014/15
- (c) The use of the available funds

A Draft Substantive Council Tax Resolution is set out in Appendix J.

**17. APPENDICES**

Appendix A	Medium Term Financial Strategy
Appendix B	Savings Options
Appendix C	Review of Reserves
Appendix D	General Fund Balances/Financial Risks
Appendix E	General Fund Summary
Appendix F	Subjective Analysis
Appendix G	The Financial Arrangements Account
Appendix H	Collection Fund
Appendix I	Council Tax (Non Parish Council Areas)
Appendix J	Draft Substantive Council Tax Resolution
Appendix K	Strategic Equality Impact Assessment

**MEDIUM TERM FINANCIAL STRATEGY 2014-2017**

	<b>Forecast 2014/15 £000s</b>	<b>Forecast 2015/16 £000s</b>	<b>Forecast 2016/17 £000s</b>
<b>Previous Year's Net Budget</b>	484,827	477,458	461,290
Public Health Transfer	791	-	-
<b>Increases:-</b>			
Schools DSG	3,132	-	-
<b>Non School Services</b>			
Inflation	5,559	4,115	4,238
Capital Financing	800	-	-
WDA / TfGM	1,485	1,525	1,525
Other Corporate	200	250	250
National Insurance Change	-	-	2,000
Pensions	971	1,004	1,012
Adults Growth	400	1,000	1,000
LPSA Reward	1,000	-	-
Loss of Local Welfare Fund Grant	-	1,214	-
Savings Required	-21,707	-25,276	-18,352
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Budget Requirement	477,458	461,290	452,963
<b>Resources</b>			
Direct Schools Grant	226,481	226,481	226,481
Public Health Funding	18,906	18,906	18,906
Education Services Grant (ESG)	5,456	4,400	4,000
New Homes Bonus	3,371	4,200	5,000
Use of Reserves	2,000	2,000	2,000
Retained Local Business Rates	41,888	43,054	43,915
Business Rates Top-Up	18,813	19,332	19,719
Council Tax Contribution *	88,690	90,504	92,306
Government Grants	73,420	52,413	40,636
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<b>Total Resources</b>	479,025	461,290	452,963
One-off Available for Allocation	1,567	-	-
<b>Council Tax Increase (indicative) *</b>	1.94%	2%	2%

**2014-15 Budget Options - Summary**

Service/Option	Savings 2014/15	Estimated Staff Impact		
	£000	Total Posts Deleted	Vacant Posts	Redeployed/ Redundant
Adult Services	2,545	9	4	5
Children's Services	2,682	64	41	23
Development & Regeneration	1,368	-	-	-
Environment	3,385	39	31	8
Chief Executive's	3,019	9	9	-
Corporate Savings	8,708	-	-	-
<b>Total New Options</b>	<b>21,707</b>	<b>121</b>	<b>85</b>	<b>36</b>

## 2014-15 Budget Options - Adult Services

Service/Option	Savings 2014/15	Estimated Staff Impact			
	£000	Total Posts	Total posts deleted	Vacant Posts	Redeployed/ Redundant
<p>Council run Care services– the aim is to reduce costs in order to maximise the opportunities to retain Council run services wherever possible. This will be achieved through service review and redesign and other cost reductions and will cover the Networks, Outreach, Day Care, Extra Care and Respite.</p> <p>Proposals in relation to changes to Networks and Outreach have been formally approved. This reflects the full year impact of proposals. The estimated staffing impact shown relates to further savings to be developed in relation to Day Care, Extra Care and Respite.</p>	1,150	73	9	4	5
<p>Supported Housing Networks – potential transfer of 10 houses to the current contracted provider over the next 2 years, dependent on the level of vacant posts within the networks.</p> <p>Full year effect of proposals implemented in July 2013</p>	650	-	-	-	-
<p>Procurement Plan – re-tender a range of services provided by the private and voluntary sectors with a view to securing better prices &amp; service redesign. This will include floating support, offender services, young people’s accommodation, voluntary sector grants etc.</p> <p>Full year effect of retendering already implemented</p>	270	-	-	-	-
<p>Day Services Relocation – exit 3 centres as leases expire. To relocate staff and users, and maximise remaining provision for current users following individual reviews.</p> <p>This will commence from April 2014</p>	50	-	-	-	-
<p>Savings through the Integration of Adults &amp; Children’s Services (staffing implications reflected in Children’s Services Appendix</p>	155	-	-	-	-

Service/Option	Savings 2014/15	Estimated Staff Impact			
	£000	Total Posts	Total posts deleted	Vacant Posts	Redeployed/ Redundant
To continue to reduce Council subsidy on care services by increasing charges in Meals, (by 50p per year to £4) Transport (by 50p per year to £4) and Day Care (by £5 per year to £20 per day). Implementation April 2013 & September 2014	70	-	-	-	-
Transport Savings – review of routes to day care (see proposal above) and rescheduling in order to achieve efficiencies in the transport service. This will be delivered following the completion of the day services proposal	100	-	-	-	-
Supplies and Services – savings across the department in these budget headings	100	-	-	-	-
<b>Total Adult Options</b>	<b>2,545</b>	<b>73</b>	<b>9</b>	<b>4</b>	<b>5</b>

## 2014-15 Budget Options - Children's Services

Service/Option	Savings 2014/15	Estimated Staff Impact			
	£000	Total Posts	Total posts deleted	Vacant Posts	Redeployed/ Redundant
<p>Play &amp; Youth – rationalisation of building stock with movement of some service delivery into alternative venues and closure of some buildings. Reduction in levels of service and targeting remaining services to areas of greatest need.</p> <p>Full year effect of proposals agreed in 2013/14</p>	108	-	-	-	-
<p>Children's Centres – reduction in universal activity in all centres and potentially reduction in family support by raising thresholds. Possible transfer of some centres to alternative management arrangements. Reduction in supplies and services.</p> <p>Full year effect of proposals agreed in 2013/14</p>	524	-	-	-	-
<p>Key Workers in Schools – mainly based in schools, but some central provision. Focus on attendance, behaviour, early disengagements from school. Reduction in staff numbers and targeting of resource to schools with highest levels of need. Retain some central function for statutory provision to vulnerable NEETS.</p> <p>Full year effect of proposals agreed in 2013/14</p>	182	-	-	-	-
<p>Personal Advisors – PA's located in all secondary schools and a small central provision. Education Act 2012 transferred responsibility for careers advice to schools from September 2012. Removal of all school based PA's; retain small central service for remaining statutory responsibility.</p> <p>Full year effect of proposals agreed in 2013/14</p>	343	-	-	-	-

Service/Option	Savings 2014/15	Estimated Staff Impact			
	£000	Total Posts	Total posts deleted	Vacant Posts	Redeployed/ Redundant
Reduced Services Commissioned from the Voluntary Sector. The saving will be made out of the current budget which totals £1.5m.  Full year effect of proposals agreed in 2013/14	152	-	-	-	-
SEN Transport – Efficiency savings  Full year effect of proposals agreed in 2013/14.	100	-	-	-	-
Music Service – increase income  Full year effect of proposals agreed in 2013/14	50	-	-	-	-
SRE and Young Mums – proposal to delete the 2 posts, as LA no longer has the responsibility to do curriculum support for SRE, and the functions of the post in the Young Mums Unit is duplicated with other staff of the Council  Full year effect of proposals agreed in 2013/14	31	-	-	-	-
Reduce Play Service Reduce play service provision for 6-12 year olds. This option includes a reduction in the number of play sessions and the potential closure of play centres along with a reduction in summer play sessions in parks.  Full year effect of proposals agreed in 2013/14	137	-	-	-	-

Service/Option	Savings 2014/15	Estimated Staff Impact			
	£000	Total Posts	Total posts deleted	Vacant Posts	Redeployed/ Redundant
Savings through the Integration of Adults & Children's Services - back office and support functions, including: Commissioning, Policy Performance & Information Management, Finance, Workforce Development and Business Administration. This figure includes the costs of creating a new Quality Assurance team totalling £283,000.  A number of detailed proposals have received formal approval for which the full year effect is shown. A further report outlining savings in the business administration will be brought forward in due course and the estimated staff impact information shown reflects the impact of delivering the further £300,000 to achieve this budget reduction in full	798	458	64	41	23
Integration savings attributable to Adults Services	-155	-	-	-	-
Full year effect of residual savings agreed as part of the 2013/15 agreed programme, implemented in 2013/14	412	-	-	-	-
<b>Total Children's Options</b>	<b>2,682</b>	<b>458</b>	<b>64</b>	<b>41</b>	<b>23</b>

## 2014-15 Budget Options - Development & Regeneration

Service/Option	Savings 2014/15	Estimated Staff Impact			
	£000	Total Posts	Total posts deleted	Vacant Posts	Redeployed/ Redundant
<p>Review of Housing Services – A review of Housing Services has been carried out and the final proposals approved by the Executive Cabinet Member. The review included a re-organisation of housing services, including a reduction in staffing with particular focus on:</p> <ul style="list-style-type: none"> <li>• Statutory functions</li> <li>• Reduction in revenue expenditure budget</li> </ul> <p><b>This if the full year effect of the review approved in 2013/14</b></p>	173	-	-	-	-
<p>Strategic Development Service –</p> <p>A review of Strategic Development has been carried out during 2013/14 and the final proposals have been approved by the executive Cabinet Member. The review focused on:</p> <ul style="list-style-type: none"> <li>• Reduction in staffing, to reflect capacity required to deliver medium term priorities</li> <li>• Reduction in revenue expenditure budget</li> </ul> <p><b>This if the full year effect of the review approved in 2013/14</b></p>	210	-	-	-	-
<p>Planning – the funding for the LAMP Contract which provides land searches is no longer required</p>	170	-	-	-	-
<p>Leisure – A reduction in subsidy has been negotiated with the Trust of £300,000 with savings in the Council's own provision of £100,000.</p>	400	-	-	-	-
<p>General Efficiencies</p> <ul style="list-style-type: none"> <li>• Deficit Repayment – no longer required as deficit fully repaid</li> <li>• Management of cash limited budgets</li> <li>• Reduction in Operational Budgets</li> </ul>	75	-	-	-	-

Service/Option	Savings 2014/15	Estimated Staff Impact			
	£000	Total Posts	Total posts deleted	Vacant Posts	Redeployed/ Redundant
<p>Economic Strategy (D&amp;R)</p> <p>A review of budgets and vacant posts was undertaken in 2013/14.</p> <p><b>This if the full year effect of the review approved in 2013/14</b></p>	130				
<p>Planning (D&amp;R)</p> <p>A review of Development Management was undertaken during 2013/14. The final proposals were approved by the Executive Cabinet Member in September 2013.</p> <p><b>This if the full year effect of the review approved in 2013/14</b></p>	110				
<p><b>Reduce funding for one-off events (D&amp;R)</b></p> <p>Review the Event budgets within D&amp;R including those for Leisure and the Town Centre with a view to making a saving of £50,000. This will result in fewer public events being funded by the Council across the Borough</p>	50	-	-	-	-
<p><b>Leisure</b> – reduce the subsidy for swimming and leisure concessions</p> <p>Reduce the overall subsidy provided for free swimming, free swimming lessons and Leisure concessions to people over 60. Detailed options to be developed but will have an impact on the availability of these concessions</p>	50	-	-	-	-
<b>Total D&amp;R Options</b>	<b>1,368</b>	-	-	-	-

**2013/15 Budget Options - Environment**

Service/Option	Savings 2014/15	Number of posts	Estimated Staff Impact		
	£000		Total Posts Deleted	Vacant Posts	Redeployed/ Redundant
<p><b>Highways &amp; Engineering</b> – A review of Highways and Parking Services was undertaken during 2013/14. The final report is due to be approved by the Executive Cabinet member on 17<sup>th</sup> February 2014.</p> <p>The implementation of the review of the provision for tripping claims will be undertaken which it is anticipated will deliver part of the savings. The remaining savings required a further fundamental service review, which has resulted in across the board reductions and changes in levels of maintenance on all aspects of the highways asset including:</p> <ul style="list-style-type: none"> <li>• Highways and Structures</li> <li>• Street lighting and signs</li> <li>• Highway drainage and culverts</li> </ul> <p>In addition to a review of Highways Management and Administration we will also look to increase income via fees and charges.</p>	1,389	240	38	30	8

Service/Option	Savings 2014/15	Number of Posts	Estimated Staff Impact		
	£000		Total Posts Deleted	Vacant Posts	Redeployed/ Redundant
<p><b>Neighbourhood &amp; Regulatory Services</b> – A fundamental service review was undertaken and approved by the Executive Cabinet Member during 2013/14 which has had a direct impact on service response in areas such as:</p> <ul style="list-style-type: none"> <li>• Street Cleansing – further reduction, 2 large sweeper vehicles and no dedicated graffiti team.</li> <li>• Education and Enforcement – reduction in complaints handling</li> <li>• Parks and open spaces – further reduction in grass cutting teams impacting on quality standards, review provision and inspection of Play Areas, Sports Pitches, Bowling Greens, Allotments, Buildings and Maintenance. Review of Animal World and Public Conveniences in Parks.</li> <li>• Reduced Management, Administration and Technical Expertise impacting on service delivery and resolving customer issues.</li> </ul> <p><b>This is the full year effect of the review approved in 2013/14 by the Executive Cabinet Member</b></p>	638				
<p><b>Waste Collection/Disposal</b> – changed arrangements to increase recycling and less frequent collection of residual waste, reducing Waste Disposal charges.</p> <p><b>This is the full year effect of the review approved in 2013/14 by the Executive Cabinet Member</b></p>	286	-	-	-	-
<p><b>Community Services</b> – Deletion of Vacant post and increasing fees and charges above the rate of inflation.</p> <p><i>The number of staff affected may increase as a result of other Departments' Savings Options</i></p>	72	12	1	1	-
<p><b>General Service Efficiencies</b> – Savings in this area include: Management Of Cash Limited Budgets</p>	100				
<p>Review of <b>Finance and Business Development</b> was approved by the Executive Cabinet Member Dec 2013.</p>	200	42	1	1	0

Service/Option	Savings 2014/15	Number of Posts	Estimated Staff Impact		
	£000		Total Posts Deleted	Vacant Posts	Redeployed/ Redundant
<b>Savings from street lighting energy measures</b> – investing in more efficient lighting	400				
<b>Community Safety and Neighbourhoods</b> – a review has been undertaken of all activities, prioritising on those things that deliver the core strategic objectives of the Council.  <b>This is the full year effect of the review approved by the Executive Cabinet Member in 2013/14</b>	100				
<b>Reduction of spend on Area Forums/Neighbourhood Management (Corp/Env)</b> A Review has been undertaken of the overall arrangements for Area Forums and Neighbourhood Management. This has resulted in a reduction in project funding and some reduction in overall staff support.  <b>This is the full year effect of the review approved by the Executive Cabinet Member in 2013/14</b>	200				
<b>Total Environment Services Options</b>	<b>3,385</b>	<b>252</b>	<b>39</b>	<b>31</b>	<b>8</b>

## 2014-15 Budget Options - Chief Executive's

Service/Option	Savings 2014/15	Estimated Staff Impact			
	£000	Total Posts	Total posts deleted	Vacant Posts	Redeployed/ Redundant
Restrict National Charities Rate Relief to Government Guidelines –The proposal is that national charities will continue to receive the 80% mandatory relief but that we no longer allow the 20% local discretionary rate relief. Discretionary Rate relief will continue for local charities. Report was approved in Autumn 2012.	100				
Customer Services – A review will be undertaken early 2014 that will delete current vacancies and reduce controllable budgets.	436	124	9	9	
Management of Cash Limited budgets within the Chief Executives Department	264				
HR and Training – A review of all activities was undertaken during 2013/14. The final proposals were approved by the Executive Cabinet Member – Leaders portfolio in July 2013	294				
Marcomms – A review of the current marketing, communications and consultation activities has been carried out during 2013/14. The final proposals were approved by the Executive Cabinet Member – Leaders portfolio in July 2013	75				
Policy, Performance and Democratic – a review of all activities was undertaken in 2013/14. The final proposals were approved by the Executive Cabinet Member – Leaders portfolio in July 2013.	72				
Financial Support Services – A review has been undertaken and was approved by the Executive Cabinet Member in December 2013.	288				
<b>This is the full year effect of the review approved by the Executive Cabinet Member in 2013/14</b>					
Savings from ICT – Review of budgets and vacancies as a result of the new ICT contract and operational arrangements.	540				
Voluntary Sector Grants – overall reduction in the current level of grants awarded out of the existing budget of £1.3m. Report was approved by the Executive Cabinet Member in September 2013.	250				
<b>Members</b> – A report will come forward in the final quarter of 2013/14	100				

Service/Option	Savings 2014/15	Estimated Staff Impact			
	£000	Total Posts	Total posts deleted	Vacant Posts	Redeployed/ Redundant
Authority wide departmental re-organisation/senior management changes	330				
<b>Review of Controllable Budgets across Financial Services/ICT Division</b> A review has been undertaken of external contracts which has realised savings	270				
<b>Total CE's Options</b>	<b>3,019</b>	<b>124</b>	<b>9</b>	<b>9</b>	<b>0</b>

## 2014-15 Budget Options - Corporate Savings Options

Service/Option	Savings 2014/15	Estimated Staff Impact			
	£000	Total Posts	Total posts deleted	Vacant Posts	Redeployed/ Redundant
Waste Collection/Disposal – changed arrangements to increase recycling and less frequent collection of residual waste, reducing Waste Disposal charges. Detailed report was approved in September 2012.	2,370	-	-	-	-
Additional interest on cashflow and investments etc. Since September 2013 we have managed to place some of our funds in slightly longer term investments which has improved the overall interest received	300	-	-	-	-
Early anticipation of external Loan Repayment 2015 A £7m loan is due for repayment in early 2015. When due this can be replaced with an alternative loan at a lower interest rate. This saving has been brought forward given the severity of the budget situation	500	-	-	-	-
Maximise internal borrowing to £120m – lose ability to borrow extra £16m for investment . The Council has the potential to increase its internal borrowing to fund capital projects by a further £16m, bringing the total to £120m. This is only possible because of the amount of reserves held by the Council. This internal borrowing will enable us to make savings in financing costs of £1.6m. The alternative to making the saving is that the Council could have invested a further £16m into Capital initiatives and therefore this is an opportunity foregone in taking this option	1,600	-	-	-	-
Savings in Interest and Contingency Budgets carried over from 2013/14	2,938	-	-	-	-
Accommodation Savings – by rationalising office facilities in the Town Centre. Maybe reductions in posts from support services such as cleaning, caretaking as these options are finalised. This will not be delivered until 2015/16 and has been replaced by a saving in the cost of the Pensions Auto-enrolment due to staff withdrawing from the scheme and deletion of vacant posts.	1,000	-	-	-	-
<b>Total Corporate Savings Options</b>	<b>8,708</b>	-	-	-	-

**COUNCIL RESERVES**

The report includes a section on Reserves which explains how any potential use of them needs to be considered. Set out below is an analysis of the Reserves that may help to explain why we keep them and the impact of not holding these Reserves.

<b><u>Analysis of Reserves</u></b>	<b>2014 £m</b>
Reserves we are legally required to maintain (Balances, Schools, Insurance)	31
Reserves with an existing commitment (Capital, Waste, BSF, Property, budget balancing)	60
Reserves to cover key areas of known future spend (ICT replacements, redundancy/redeployment)	22
Reserve to cover key areas of risk	15
Service general contingencies to meet overspend/one-off demands	4
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	132
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**Revenue Impact of not holding key Reserves**

If we were not to hold these Reserves then there would be a direct impact on the Revenue Budget in the order of £6m. This would be from having to provide a Contingency Budget to meet certain risks or additional costs that the Council will be facing in the future. These are set out below: -

	<b>£m</b>
ICT replacements (would need an annual contribution to meet these costs)	2.0
Redundancy/redeployment (if we did not hold Reserves we would have to capitalise these costs – if approved by Government)	2.0
Equal Pay (if we did not hold Reserves we would have to capitalise these costs – if approved by Government)	0.5
Corporate contingencies – Energy etc. (would need a specific Contingency provision)	0.5
Service contingencies (would need a specific contingency provision)	1.0
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	6.0
	-----

## **ALTERNATIVE VIEW OF RESERVES**

The definition of Reserves has changed over recent years. We now have to include in our Reserves monies which we know are needed to meet expenditure requirement over the next few years but have not been “contractually” committed.

Most general interpretation of Reserves would be funds set aside for general contingencies or to meet risks that may or may not arise. Using this definition a summary of the Council’s “Reserves” would be as follows:-

	<b>£m</b>
General Fund Balances (Audit Commission recommend £15m)	10.7
Budget balancing reserve	6.0
Schools Balances (can only be spent by schools)	6.9
Housing Transfer liabilities remaining with the Council (Equal Pay and environmental)	5.3
Equal Pay (potential future claims)	3.0
Energy/Fuel Reserve (to meet in-year price increases)	1.2
Specific funds to cover key risks (a range of corporate risks)	0.7
Benefits (to meet changes in subsidy entitlement and growth in number of claimants)	3.1
Service general contingency (to meet in-year budget variations)	4.2
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	41.1
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<b><u>Reserves we are legally required to maintain</u></b>	<b>£m</b>
<b><u>Corporate</u></b>	
<b>General Reserves</b>	10.7
We are required to keep general Reserves to fund emergencies, exceptional cost increases, overspends etc. The Audit Commission recommend a figure of at least £15m for the Council	
<b>School Balances</b>	6.9
These are held by individual schools and can only be spent by schools	
<b>Insurance</b>	10.4
We self-insure which means we need to maintain funds to meet all outstanding insurance claims. This is cheaper than buying full insurance from the market.	
Every 2 years we make a reassessment of the outstanding insurance claims and potential claims based upon experience and then provide a reserve to meet these costs in the future.	
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	28.0
<b><u>Service</u></b> - Funding received in advance or set aside for specific commitments:	
<b>Troubled Families</b>	0.5
Funding received in advance from the Government for the Troubled Families Initiative	
<b>School Improvement</b>	0.4
Funding to be spent on school improvement requirements	
<b>Training</b>	0.3
Specific funding set aside to meet specific training requirements	
<b>Graves, Waste Campaign, Queens Park, CCTV etc. (Env)</b>	1.8
A range of funding held to meet future costs across the whole service	
	-----
	31.0
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<b><u>Reserves with an existing commitment</u></b>	<b>£m</b>
<b><u>Corporate</u></b>	
<b>Capital</b>	37.9
Funding held to meet the cost of committed Capital projects or allocations to meet specific investment initiatives agreed by the Council	
The vast majority of these resources have to be spent on capital	
<b>Budget Balancing Reserve</b>	6.0
£8m was set aside to balance the budget over a 4 year period from 2013/14	
<b>Waste Smoothing</b>	3.8
Funding accumulated to even out the waste levy precepts over a number of years to avoid major peaks and troughs	
<b>BSF</b>	1.7
To meet contractual payments owed to our BSF ICT provider	
<b>Corporate, Liabilities</b>	0.8
These are a range of small items where we have outstanding commitments including repairing the bridge at Smithills	
<b>Property</b>	3.6
This is mainly Sinking Funds that we are required to meet on the various grant arrangements the biggest item of which is the Bolton Arena	
<b>Apprentices</b>	1.8
Money set aside to meet the various phases of the Apprentice initiative, £700,000 of this is being spent on the current phase	
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	55.6

<b><u>Service</u></b> - Money set aside for key initiatives	<b>£m</b>
<b>Affordable Housing</b>	0.3
A small provision to meet any variations in the current Affordable Housing project being undertaken jointly with Bolton at Home	
<b>Furnished Tenancies</b>	0.9
Funding to support the replacement of furniture etc. as part of our overall furnished tenancies service	
<b>Housing Initiatives/Trading</b>	1.0
Funding held to support a range of self-financing activities within housing services as well as providing some resource if required to contribute to any future Affordable Housing schemes	
<b>Key programmes for sport, Town Centre etc.</b>	1.5
Funding held by D&R to support the programmes being undertaken in the current year with much of this likely to be spent by the year-end	
<b>Libraries, Museum etc.</b>	0.7
Capital Receipts set aside to pay for the new Museum store. The majority of this will be spent in the current year	
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	60.0
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**Important to cover key areas of known future spend** **£m**

**Corporate**

<b>ICT systems and kit refresh</b>	9.1
Funding set aside to meet the cost of the Council's major system Upgrades, eg Oracle, Tax & Benefits, Customer Services, Telephony. Also to meet the cost of transition from Fujitsu to the new ICT provider and the replacement of servers and desktops. It is anticipated that all this funding will be required over the next 4 years	
<b>Redundancy/Severance 2014-17</b>	12.0
This funding enables the full savings options to contribution to the budget by paying for the one-off employment costs. Based upon the 2013/14 cost this provision may not be sufficient should savings in excess of £40m be required.	
<b>Chief Execs Specific Reserves</b>	0.9
A range of smaller items required to meet likely grant clawback from Government, Community Safety funding received from Government, Resources allocated to meet the Troubled Families initiative etc.	
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	22.0
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<b><u>Important to cover key areas of risk</u></b>	<b>£m</b>
<b><u>Corporate</u></b>	
<b>Benefits</b>	3.1
The costs of Benefits can vary significantly from year to year and in Recent years has overspent by several hundred thousand pounds. This Reserve meets these overspends	
<b>Pay Review/Equal Pay</b>	3.0
The Council has already settled significant numbers of Equal Pay claims but more are received each year and this sum is set aside to enable those claims to be settled without impacting on the Council's main Budget. This has been reduced to reflect a reassessment of the current risk but it is important to keep this under review in future years	
<b>Energy/Fuel</b>	1.2
No overall contingency is included in the Council's Revenue Budget but the costs of energy and fuel can change at short notice during the year. This funding is there to meet any significant in-year increases	
<b>Chief Execs Specific Reserves</b>	0.7
A range of small Reserves to meet potential variations in Trading Accounts and the cost of funding staff who are on redeployment	
<b>Housing Transfer Outstanding Liabilities</b>	5.1
The majority of this funding is set aside as a provision to meet any future environmental (life time risk) or Equal Pay (six year risk) cost which will fall on the Council following the transfer of the Housing Stock and Service to Bolton at Home	
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	13.1
<b><u>Service</u></b>	
<b>High cost of Staying Safe placements</b>	0.7
Funding to meet any significant in-year new Staying Safe placements. These can cost several hundred thousand pounds for individuals with significant needs	
<b>Pension Liabilities (schools)</b>	0.5
The Council is required to fund certain pension liabilities following decisions by schools in relation to Teaching staff. This Reserve is there to meet these costs when they arise	
<b>Looked After Children, Adaptations etc.</b>	0.5
The funding set aside to meet any extra cost in relation to Children looked after, such as adaptations to properties etc.	
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	14.8
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<b><u>Service General Contingencies</u></b>	
These are general contingencies set aside to meet any overspends or exceptional items of spend facing individual services during the financial year. Under the Council's Standing Orders, Services have to manage within their overall Budget allocations each year.	
	<b>£m</b>
Children's	0.5
Traded Services Children's	1.2
Environmental Services	0.1
Housing	0.1
Development & Regeneration	0.2
Adults	0.8
Chief Executive's	1.3
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	4.2
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**Report to:** The Cabinet

**Date:** 17<sup>th</sup> February 2014

**Report of:** Deputy Chief Executive

**Report No:**

**Contact Officer:** S. M. Arnfield

**Tele No:** Ext 1502

**Report Title:** **General Fund Balances/Financial Risks**

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**Non -Confidential:** This report does **not** contain information which warrants its consideration in the absence of the press or members of the public

**Purpose:** To outline the Deputy Chief Executive’s advice on the Financial Risks facing the Council and the appropriate level of Balances to be maintained

**Recommendations:** That the minimum level of Balances for 2014/15 should be £10.0m or higher if possible.

## **1. INTRODUCTION**

The council maintains two types of Revenue reserves, earmarked reserves and general reserves (Balances). Earmarked reserves are set aside for specific purposes/commitments whereas general Balances are maintained to support the overall Council's cash-flow and meet any unforeseen contingencies/demands.

This report considers the current level of general Balances, evaluates the reasons why Balances are maintained (i.e. the general financial risks facing the Council) and provides advice on the appropriate level of Balances to be maintained by the Council in the light of Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). Appendix D sets out the Council's current position in respect of Reserves.

## **2. NEED FOR GENERAL BALANCES**

Whilst the Council's annual Budget provides resources to meet any known liabilities or expenditure requirements, Balances are amounts which are set aside to meet unexpected changes in the Budget and to finance demands for resources which cannot be predicted and are assessed on the basis of the general financial risks facing the Council.

The requirement for Balances is acknowledged in statute with Section 32 of the 1992 Local Government Finance Act requiring Authorities to have regard to the level of Balances needed to meet estimated future liabilities when calculating their Budget requirement. The Chief Finance Officer has the responsibility to ensure that the Council maintains a balanced Budget with powers under Section 114 of the 1998 Local Government Finance Act to report to the Council should its liabilities be in danger of exceeding its resources. Equally, the External Auditor has a responsibility to review and report on the Council's financial standing. Further requirements within the 2003 Local Government Finance Act reinforce the above with additional monitoring and reporting responsibilities.

In drawing together the Council's capital and revenue budgets and four year financial strategy, the level of general Balances and Financial Risks are always carefully considered. The provision of an appropriate level of Balances is therefore a fundamental part of prudent financial management.

## **3. MINIMUM LEVEL OF RESERVES**

The Audit Commission recommends that Authorities should maintain Balances equivalent to 3% of their Budget, for 2014/15 this would amount to approximately £15m. However, whilst this is recommended guidance, the decision on the appropriate level of Balances is one for the Council, with advice from its Deputy Chief Executive, to determine. There are several factors/financial risks that need to be taken into account in considering what is a prudent level of Balances:

### **i) Revenue Contingencies**

The Council does not maintain a general contingency within its revenue budget but relies on in year savings and Balances to meet any unexpected demands. For example, a pay increase of 0.5% more than that allowed for in the Budget would cost £650,000, excluding Teachers. A price variation of 0.5% would cost £1.25m.

### **ii) Interest**

In recent years the Council has been successful in managing the interest that it pays out/receives and savings in this area have generally added to Balances. However, fluctuations in interest rates cannot be totally forecast and given the

Council's overall debt of approximately £90m an unexpected increase in interest rates would increase the Council's costs.

iii) Capital

The Council now has a capital programme in the order of £49m per annum. Within the capital programme there are no contingencies and whilst the programme is actively monitored and managed, there is the potential for a demand on Balances from any capital overspend. In addition because of the economic climate there may be difficulties in generating the level of Capital Receipts assumed in the capital programme. For 2014/15 this has been included at £2m.

iv) Economic Climate

The current downturn in the general economic climate is creating pressures for the Council in several ways. Demand for services, particularly those to support business, support those who are unemployed and to process benefits are increasing. In addition, several of the income/revenue streams may be affected by reduced demand/take up. Both the above items have been reflected in the budget but the change in demand cannot be absolutely forecast and therefore there may be changes in cost/income levels during the year.

v) Council Tax Support Scheme

From 1<sup>st</sup> April 2013 the Council introduced a Local Council Tax Support Scheme. The full risk of increasing numbers of claimants and greater individual claimant eligibility remains within the Council. This is a major risk to the Council's resources, particularly in the early years of the new schemes.

vi) Local Business Rates

From 1<sup>st</sup> April 2013 Business Rates were changed from a National to a Local scheme. This means that the Council faces 49% of the risk of non-collection due to businesses failure to pay or going into Administration. In the current economic climate this risk is significant. The Business Rates assumptions provide a £0.5m provision against such losses and the Government provides an overall safety net. However, this safety net is based upon losses amounting to 7.5% of the total Business Rates or approximately £4.5m. Overall therefore the Council faces having to meet any losses between £0.5m and £4.5m from General Balances.

vii) Un-predictable Demand Led Expenditure

Major parts of the Council's Budget, particularly in Social Care Services and Education are "demand led" and as we have seen in previous years, can create significant demands for increased expenditure during the year. Services maintain modest Reserves of their own, currently £4.2m to meet minor Budget variations.

viii) Emergencies

The Council is required to maintain provision to meet the cost of emergencies that cannot be met from main Budgets or by Insurance. Significant costs on emergencies are met by Central Government under the "Bellwin Scheme" but these are only triggered once the Council's expenditure has exceeded a pre-determined limit (currently £885,000). Costs above this limit are covered by Central Government but only up to 85%.

ix) Unexpected Demands

Balances also need to provide sufficient resources to meet unexpected demands, particularly those that result from a legal decision, a change in Government legislation or a determination of Government legislation. In the past the Council has had to fund several major issues of this nature.

x) Service Deficits

Balances are also required to offset any Budget deficits carried forward or generated during the year by services as allowed under Financial Regulations.

xi) General Risks

It is also important to weigh up the general risks facing the Council and evaluate what any potential financial impact may result from these risks. The Deputy Chief Executive and the Council's Risk Manager have undertaken a review of these risks. The areas with a potentially significant financial impact are as follows:

Economic Climate  
Changes in Government Funding  
Potential Legal Claims  
External Suppliers going into Administration

These have been taken into account in the overall evaluation of the minimum level of Balances to maintain.

**4. REVIEW OF 2014/15 RESERVES POSITION**

The last quarterly report estimated available Balances at 31<sup>st</sup> March 2014 at £10.6m. The review of the last 12 months does not suggest that there are any additional factors to take into account in 2014/15, other than those referred to in this note, although it is difficult to predict whether the economic climate will add further to the demands on the Council's services or reduce the income we receive. On this basis I am recommending that the current minimum level of Balances remain at £10.0m in 2014/15.

**5. DEPUTY CHIEF EXECUTIVE ADVICE ON THE MINIMUM LEVEL OF BALANCES**

Section 25 of the Local Government Act 2003 requires the Deputy Chief Executive to report to the Council when it is setting its Budget/Council Tax on the "robustness of the estimates" and the "adequacy of the reserves".

Equally the Council should not hold usable Balances at too high a level as this would not be making the most effective use of the Council's overall resources when faced with significant demands for increased levels of service. However, Balances at up to £18m would not be regarded as inappropriate.

At this point in time, bearing in mind the above and the size of the Council's Budget at £699m, I would recommend that a minimum level of Balances for the Council to maintain would be £10m (but if possible should be at a higher level).

**Use of Balances**

Any future use of Balances above the recommended level are best used to support "one off" initiatives/investment. Any significant use of Balances to meet the on-going costs of services should only be considered on the basis of providing a Revenue contribution for the period of the Medium Term Financial Strategy.

**6. SUMMARY**

The report has set out the various factors that influence the level of Balances which must be maintained to meet any unexpected increases in expenditure or shortfall in income during the year. The Deputy Chief Executive's advice is that as a minimum Balances should be maintained at £10m but if possible should be at a higher level.

**GENERAL FUND SUMMARY**

	<b>2013/14 Original Estimate £000</b>	<b>2014/15 Original Estimate £000</b>
<b>Service Controllable Budgets</b>		
Children's Services	271,714	274,934
Adults	66,287	65,560
Public Health	18,115	18,906
Environment	25,144	24,777
Development and Regeneration	7,329	6,572
Housing	2,161	2,057
Central etc.	32,561	29,696
Financing & Investing	15,886	11,390
Levies	41,584	43,067
Miscellaneous	812	499
<b>Net Expenditure</b>	<b>481,593</b>	<b>477,458</b>
Parishes	362	364
<b>Sub Total</b>	<b>481,955</b>	<b>477,822</b>
<b>Income</b>		
DSG	223,349	226,481
Public Health Funding	18,115	18,906
Education Services Grant (ESG)	0	5,456
New Homes Bonus	2,405	3,371
Use of Reserves	2,000	2,000
Retained Local Business Rates	40,897	41,888
Collection Fund Surplus	400	400
Council Tax	86,835	88,654
Council Tax "Freeze" Grant 2014/15	0	0
RSG	89,500	73,420
Business Rates Top-Up	18,454	18,813
<b>Total</b>	<b>481,955</b>	<b>479,389</b>

**SUBJECTIVE ANALYSIS**

	<b>2013/14 Original Estimate £000</b>	<b>2014/15 Original Estimate £000</b>
<b>Expenditure</b>		
Employees	314,475	293,366
Premises	37,922	40,957
Transport	19,245	18,710
Supplies & Services	69,089	74,179
Agency	130,797	91,861
Transfer Payments	88,944	149,227
Capital Finance	34,490	30,759
<b>Expenditure Gross</b>	<b>694,962</b>	<b>699,059</b>
<b>Income</b>		
Grants and Contributions	135,471	150,895
Customer & Client Receipts	52,743	61,155
Rents	6,405	6,434
Interest, Dividends and Distributions	2,546	3,117
<b>Income Gross</b>	<b>197,166</b>	<b>221,601</b>
Savings	-16,203	
<b>Net Expenditure *</b>	<b>481,593</b>	<b>477,458</b>
<b>* Before Direct Schools Grant of</b>	<b>223,349</b>	<b>226,481</b>

**THE FINANCIAL ARRANGEMENTS ACCOUNT**

	<b>2013/14 Original £000s</b>	<b>2014/15 New £000s</b>	<b>Comment</b>
Corporate Financing Cost	18,280	13,315	2014/15 Savings and Budget virement
Transferred Debt	1,499	1,507	
Interest and Contributions	-948	-962	
Airport Dividend	-1,000	-1,000	
Airport Rents	-410	-414	
Airport Loan Interest	-1,076	-1,076	
Debt Management	60	20	
<b>Total Financing &amp; Investing</b>	<b>16,405</b>	<b>11,390</b>	
Waste Disposal Levy	20,996	21,258	
Land Drainage Levy	130	130	
Transport Levy	20,456	21,679	
<b>Total Levies</b>	<b>41,582</b>	<b>43,067</b>	
Former Employee Pensions	852	852	
Car Parks	-350	-350	
Climate Change Levy	382	0	Budget virement
LPSA Grant	-1,000	0	
Recharges	38	0	Budget virement
Use of Budget Balancing Reserve	-2,000	-2,000	£8m set aside in February 2013
Education Services Grant	-5,600	-5,456	
New Homes Bonus	-2,400	-3,371	Includes 4 <sup>th</sup> year of funding
<b>Total Miscellaneous</b>	<b>-10,078</b>	<b>-10,325</b>	
<b>Total</b>	<b>47,909</b>	<b>44,132</b>	

**COLLECTION FUND (COUNCIL TAX)**

	<b>2013/14 Original £000</b>	<b>2013/14 Revised £000</b>	<b>2014/15 Budget £000</b>
Expenditure			
Bolton	87,235	87,235	89,054
Police	10,359	10,359	10,581
Fire and Civil Defence	3,998	3,998	4,003
Total Expenditure	101,592	101,592	103,638
Income			
Council Tax	101,127	101,592	103,173
Surplus/(Deficit) for year	(465)	0	(465)
Balance Brought Forward	465	465	465
Balance Carried Forward	0	465	0

**COLLECTION FUND (BUSINESS RATES)**

	2013/14 Original £000	2013/14 Revised £000	2014/15 Budget £000
Expenditure			
Bolton	41,573	41,573	** 39,211
Central Government	41,567	41,567	39,595
Fire and Civil Defence	831	831	792
Total Expenditure	83,971	83,971	79,598
Income			
Business Rates	83,971	76,416	87,154
Surplus/(Deficit) for year	0	(7,555)	7,555
Balance Brought Forward	0	0	(7,555)
Balance Carried Forward	0	(7,555)	0

\*\* This figure differs from that shown in Appendix A because the grant for Small Business Rate Relief which was announced in the Autumn Statement, is paid directly to the Council and is not part of the Business Rates Collection Fund.

**COUNCIL TAX (NON PARISH COUNCIL AREAS)**

<b>Band</b>	<b>Properties</b>	<b>2013/14</b>	<b>2014/15</b>	<b>Increase</b>
A	41.9%	£972.83	£990.99	£18.16
B	19.1%	£1,134.97	£1,156.17	£21.20
C	17.9%	£1,297.11	£1,321.33	£24.22
D	10.8%	£1,459.24	£1,486.50	£27.26
E	5.7%	£1,783.51	£1,816.82	£33.31
F	2.4%	£2,107.79	£2,147.16	£39.37
G	2.0%	£2,432.07	£2,477.49	£45.42
H	0.2%	£2,918.48	£2,973.00	£54.52

Approximately 50% of households will receive reduced Council Tax bills through the Council Tax Support Scheme and Personal Discounts. For Council Tax the maximum support through the Council Tax Support Scheme is 100%.

**DRAFT SUBSTANTIVE COUNCIL TAX RESOLUTION**

- (i) That the following recommendations of the Cabinet on 17<sup>th</sup> February 2014 be approved:-
- (a) The Revenue Budget as set out in the Budget Report
  - (b) That Council Tax be increased by 1.94% in 2014/15. For the Council's element of Council Tax this represents an increase of less than 31p per week for a Band A property (approximately 50% of Council Tax payers don't pay the full increase either because they are in receipt of Council Tax Benefit or a discount)
  - (c) That £0.4m of the on-going saving from the reduced precept from TfGM be earmarked to fund an increase in the pay for those at the lowest end of the Council's pay scales. The balance of £0.6m in 2014/15 be added to the available one-off resources with the balance of the ongoing saving of £0.6m being held to offset the £25m reductions required in 2015/16
  - (d) That the one-off resources be allocated as follows:-
    - £1m additional investment in main highways schemes
    - £1m investment in residential roads
    - £1m capital investment in facilities for young people
    - Half a million pounds to create a hardship fund to support those who are in difficulty as a result of the impact of Benefit changes
    - Half a million pounds to create a fund to provide support for voluntary and community groups who are considering working with the Council to assist in the reduction in demand for Council services
    - £3m be retained as a contribution towards the likely cashflow shortfall in 2015/16 (currently estimated at approximately £10m)
  - (e) The Council be recommended to approve the Capital Programme for 2014/15 to 2016/17
  - (f) The Council be recommended to approve the Investment and Prudential Indicators and Treasury Strategies 2014/15 to 2016/17
- (ii) It be noted that on 9<sup>th</sup> December 2013 the Cabinet calculated
- (a) the Council Tax Base 2014/15 for the whole Council area as 69,162 (item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act"); and
  - (b) for dwellings in those parts of its area to which a Parish precept relates as:

**Parish Councils**

The Parish of Blackrod	1,767	Band D equivalents
The Parish of Horwich	6,959	Band D equivalents
The Parish of Westhoughton	8,091	Band D Equivalents

being the amounts calculated by the Council, in accordance with regulation 6 of the Regulations, as the amounts of its Council Tax base for the year 2014/15 for dwellings in those parts of its area to which one or more special items relate.

- (iii) Calculate that the Council Tax requirement for the Council's own purposes for 2014/15 (excluding Parish precepts) is £88,690,000.
- (iv) That the following amounts be calculated for the year 2014/15 in accordance with Sections 31 to 36 of the Act.

- (a) £223,175,335 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
- (b) £134,121,000 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
- (c) £89,054,335 being the amount by which the aggregate at (iv)(a) above exceeds the aggregate at (iv)(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).
- (d) £1,287.62 being the amount at (iv)(c) above (Item R), all divided by Item T ((ii)(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
- (e) £364,335 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act, each individual parish precept being:-
- |              |          |
|--------------|----------|
| Blackrod     | £ 49,900 |
| Horwich      | £185,386 |
| Westhoughton | £129,049 |
- (f) £1,276.56 being the amount at (iv)(d) above less the result given by dividing the amount at (iv)(e) above by Item T (ii)(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.
- (g) Part of the Council's Area
- |                        |           |
|------------------------|-----------|
| Parish of Blackrod     | £1,304.80 |
| Parish of Horwich      | £1,303.20 |
| Parish of Westhoughton | £1,292.51 |

being the amounts given by adding to the amount at (f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned at (e) above divided in each case by the amount at (ii) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(i) Part of the Council's Area

<u>Valuation bands</u>	<u>Parish of Blackrod</u>	<u>Parish of Horwich</u>	<u>Parish of Westhoughton</u>	<u>All other parts of the Council's area</u>
A	£869.87	£868.80	£861.67	£851.04
B	£1,014.84	£1,013.60	£1,005.29	£992.88
C	£1,159.82	£1,158.40	£1,148.90	£1,134.72
D	£1,304.80	£1,303.20	£1,292.51	£1,276.56
E	£1,594.76	£1,592.80	£1,579.73	£1,560.24
F	£1,884.71	£1,882.40	£1,866.96	£1,843.92
G	£2,174.67	£2,172.00	£2,154.18	£2,127.60
H	£2,609.60	£2,606.40	£2,585.02	£2,553.12

being the amounts given by multiplying the amounts at (f) and (g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands

- (v) That it be noted that for the year 2014/15 the Greater Manchester Fire and Civil Defence Authority and the Greater Manchester Police Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Precepting Authority

<u>Valuation Bands</u>	<u>Greater Manchester Fire &amp; Civil Defence Authority</u>	<u>Greater Manchester Police Authority</u>
	£	£
A	38.42	101.53
B	44.83	118.46
C	51.23	135.38
D	57.64	152.30
E	70.44	186.14
F	83.25	219.99
G	96.06	253.83
H	115.28	304.60

(vi) That, having calculated the aggregate in each case of the amounts at (iv)(f)(i) and (v), the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2014/15 for each of the categories of dwellings shown below:-

(i) Part of the Council's Area

<u>Valuation bands</u>	<u>Parish of Blackrod</u>	<u>Parish of Horwich</u>	<u>Parish of Westhoughton</u>	<u>All other parts of the Council's area</u>
A	£1,009.82	£1,008.75	£1,001.62	£990.99
B	£1,178.13	£1,176.89	£1,168.58	£1,156.17
C	£1,346.43	£1,345.01	£1,335.51	£1,321.33
D	£1,514.74	£1,513.14	£1,502.45	£1,486.50
E	£1,851.34	£1,849.38	£1,836.31	£1,816.82
F	£2,187.95	£2,185.64	£2,170.20	£2,147.16
G	£2,524.56	£2,521.89	£2,504.07	£2,477.49
H	£3,029.48	£3,026.28	£3,004.90	£2,973.00

(vii) That the Council's basic amount of Council Tax for 2014/15 at an increase of 1.94% is not excessive in accordance with principles approved under Section 52ZB Local Government Finance Act 1992.

(viii) That the Borough Treasurer be delegated authority to collect revenues and disburse monies from the relevant accounts.

(ix) That it be noted that the Government have set a National Non-Domestic Rate of 47.1p in the pound for small businesses and 48.2p in the pound for larger businesses for the financial year 2014/15.

(x) That the Council's current policy in respect of discretionary relief for charitable organisations, as approved by the Cabinet on the 17<sup>th</sup> February 2014, be reaffirmed and that the Borough Treasurer be delegated authority to determine applications for such relief.

(xi) That War Disablement Pensions and War Widows' Pensions be disregarded for the purposes of the Council Tax Support Scheme.

(xii) That the minutes of the proceedings of the meetings of the undermentioned Executive Cabinet Members' recommendations on various associated budgetary matters be noted:-

Leader's Portfolio	27 <sup>th</sup> January 2014
Deputy Leader's Portfolio	10 <sup>th</sup> February 2014
Environment, Regulatory Services & Skills	3 <sup>rd</sup> February 2014

(xiii) That the minutes of the proceedings of the undermentioned Scrutiny Committee regarding their consideration of the budgets be noted:-

Corporate & External Issues Scrutiny Committee	20 <sup>th</sup> February 2014
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## **STRATEGIC EQUALITY IMPACT ASSESSMENT**

### **Budget update and savings options 2014- 16**

Date: 17 February 2014  
Prepared by: Assistant Director, Policy, People and Communications

#### **Executive Summary**

##### **Background and context**

As Britain continues to experience an “age of austerity” as a result of the global economic recession, the financial picture for local government remains very difficult. The report sets out the budget for 2014/15 and the outline budget for 2015/16, as recommended by Cabinet on 17 February 2014.

The budget setting process is set within the context of the significant financial savings which the council must make. Members will be aware that the council’s savings forecast for the 2014-16 period, following receipt of the council’s revenue support grant in December 2013, is in line with those forecast last February and therefore savings of £21.7m are required to balance the budget. These figures represent an 18% reduction in Revenue Support Grant compared to the current year (2013/14). Savings at £22m are a 13% reduction on the council’s controllable budget of £170m i.e. excluding schools, precepts and levies and public health which is ring fenced.

It is important to stress that in identifying options to achieve these savings the council needs to strike a balance between the impact on the general public of a council tax increase and the impact on the public in terms of service reductions. Therefore a range of council tax options are recommended to the cabinet and included in this report.

It is important to explain that the council has already delivered a programme to save £60m across 2011-13. Much of the £43.6m savings options for 2013/15 have also been delivered. This was carefully managed in line with the council’s philosophy, in order to limit the worst of the impacts for local people, particularly for the most vulnerable. For example, savings were prioritised from efficiencies and ‘back office’ services, in order to limit the impact on staff and front line services. However, delivery of these savings inevitably had some impact on service delivery. This analysis was set out in the strategic EIA which accompanied the council’s budget report in February 2013, and can be summarised as follows:

##### **Service users**

- A comprehensive review of services for *children and young people* sought to target resources towards the most vulnerable and those most in need, and to ensure statutory duties continued to be met. However, this approach had some effect on universal provision and the council’s ability to provide some value added and preventative services. These reviews also affected parents/carers and, to a limited extent, children with disabilities
- Transformation within adult social care changed the way in which services for *older people* – including people who have a disability or complex care needs – are delivered. The focus continues to be on providing appropriate, quality and affordable care which promotes independence, choice and control; and ensuring that statutory duties are met. However, there have been changes to how and where services are delivered; eligibility for services; and fees and charges, which has had an impact on older people and their carers
- The major reduction in Bolton’s grant funding has affected the ability of the council to tackle the effects of deprivation in *socio-economically disadvantaged areas*. Remaining resources continue to be used to promote economic prosperity and narrow the gap in Bolton’s most deprived areas, for example through neighbourhood management and area working, but resources are much more limited than in previous years

- Changes to *universal services*, including libraries, neighbourhood services and highways, affected service delivery for people across the borough.

#### Partners

- While the council continues to provide significant funding for the *voluntary sector*, partners from across this sector have experienced some changes to and/or reductions in funding. The council continues to work with partners to maintain Bolton's strong partnership relationships, manage the impact of funding changes, and to do this in a joined up way
- In addition to the impact of national policy changes, *schools* have been affected by changes to how the council's services for children and young people are delivered

#### Staff

- As a result of the two year budget programme, the council's workforce has reduced by over 1,000 posts in the last four years. This was almost entirely achieved through vacancy management and voluntary means. However, staff have been affected by changing roles, responsibilities and service structures
- The changing shape of the workforce means that the workforce profile also changes as people leave the organisation. Analysis of leavers' data for the last three years was set out in the Strategic EIA of February 2013, and showed that the profile of leavers was broadly in line with that of the council workforce as a whole. Key exceptions (compared to the workforce as a whole) were: leavers were more likely to be aged 30 or under, and 51 and above; a greater proportion of leavers were male and a smaller proportion were female; a smaller proportion of leavers had caring responsibilities; and a greater proportion of leavers worked part-time.

The council continues to seek to limit the impact of its budget reductions on the borough's most vulnerable people - because this is the right thing to do, and because the council must continue to meet its statutory duties. However, it is important to explain that limiting the impact on frontline services becomes increasingly difficult each year, as services are reviewed and efficiencies are made.

In addition, over half of the council's controllable budget is spent on support for vulnerable adults and children – i.e. social care services. This means that the council is already spending a larger proportion of its budget on small numbers of people with the greatest need and less money on universal services. The council must continue to meet its statutory duties, for example in relation to providing social care services for those who are eligible. In practice, the demand on these services means that the council is very limited as to where it can make savings from. Therefore, in order to ensure that statutory duties are met, and to limit the impact on the most vulnerable, the bulk of the savings will need to be made from less than half of the controllable budget.

#### Philosophy

While achieving the necessary savings is very difficult, the council continues to have a clear philosophy for the delivery of its budget. This was reconfirmed as part of the 2012/13 and 2013/14 years budget process, and seeks to:

- Attempt to "protect" at a strategic level the Council's ability to achieve economic prosperity and narrow the gap, i.e. seek to minimise the impact on these strategic goals when reducing the budget
- Ensure that services to the most vulnerable children and adults are impacted least through the budget proposals and that these services remain "safe"
- Maximise proposals that improve efficiency and make savings from management and administration where possible before front-line services
- Move from universal to targeted provision in order to focus the available resources in services to clients or the geographical areas with the greatest levels of need
- Reduce the level/quality of services from excellent to good or good to satisfactory to deal with the budget reductions
- While putting the needs of local people and council tax payers first seek to minimise the impact on staff and to avoid compulsory redundancies if possible

**The approach to managing and mitigating service impact**

As set out above, the scale of the savings required and the restrictions on which parts of the council’s budgets these can be made from, means that the council has to make some very difficult decisions about service provision in order to deliver a legal budget for 2014-16. The council will take the following steps to deliver the best options for Bolton from a very difficult set of choices, and to manage and mitigate the worst of the impacts arising as far as possible:

- The council sought to deliver the savings through a two year programme, to provide time for options to be worked up in detail and phased appropriately for implementation up to 31 March 2014
- As in previous years, strategic budget allocations sought to make smaller percentage savings from the departments which have a lead role in delivering front-line and statutory services for vulnerable children and adults – a clear part of the strategy to ensure that statutory provision continues to be met, and to limit the impact on the most vulnerable in the borough
- As set out in table 1 below, the percentage savings required for 2013-15 ranged from 6.4% in Adult and Community Services, to 36.6% in the Chief Executive’s department.

<b>Department</b>	<b>Saving</b>	<b>Percentage of departmental budget</b>
Adult and Community Services	£4.0m	6.4%
Children’s Services (excluding schools)	£5.8m	11.6%
Development and Regeneration	£2.5m	33.8%
Environment (excluding waste)	£4.3m	22%
Chief Executive’s	£6.1m	36.6%
Other savings from across the council	£13.3m	n/a

- As in previous years, departmental savings options were developed in line with the council’s philosophy. For example, the council sought to prioritise savings from universal and ‘back office’ services; and to move from universal to targeted provision where this was appropriate
- Table 2 shows the type of savings that were proposed for 2013/15.

<b>Type of saving</b>	
Financing changes, use of reserves	24.7%
Efficiencies: administrative/management changes	24.2%
Efficiencies: buying arrangements	3.8%
Efficiencies with some impact on customers/clients	12.9%
Additional income	0.5%
Direct service impact	33.9%
<b>Total</b>	<b>100%</b>

- In addition, it was agreed by the Cabinet on the 11<sup>th</sup> February 2013 that some capital/one-off funding be used to mitigate the impact of some of the savings proposals; and to counter some of the impacts of the economic position in Bolton. This is set out in table 3 below:

<b>Table 3: proposed investment to mitigate impact</b>	
<b>Area</b>	<b>£000</b>
Investment in Highways and Footpaths	5,000
General investment in Town Centres	1,000
Support for potential key Town Centre developments	2,000
Strategic Acquisitions	2,000
Bus/Rail Interchange – Supportive Investment	1,000
Additional investment in Housing Private Sector Renewal	2,000
Investment in Sporting/Leisure Facilities	1,500
Support for the Economy	2,000
Transitional Fund for Voluntary Sector	100
Anti-Poverty Strategy	1,000

- As with the previous budget programme, consultation was completed with key stakeholders, to inform the final proposals which were brought forward. This included:
  - Specific stakeholder consultation on each individual review as it came forward; and
  - Consultation with the recognised Trades Unions.
  - This is in addition to the consultation on the initial strategic budget options, which took place between September and December 2012
- In addition, the council has continued to work closely with partners, including the voluntary, community and faith sector, to manage the impact of the proposals as far as possible and practical
- In terms of staff, the council has continued to aim to deliver reductions in the workforce through vacancy management and voluntary means as far as possible, and a redeployment package for displaced staff will continue

The council understands the options and budgets at a strategic level, and is confident that the savings are being made in line with its strategic philosophy and approach.

### **Equality Impact Assessment questions**

#### **1. Describe in summary the aims, objectives and purpose of the proposal, including desired outcomes**

The report sets out how the council will balance the budget for 2014/15 and the outline budget for 2015/16, along with options for council tax in 2014/15. This includes the savings options of £43.6m for 2013/14 and 2014/15 which were agreed in February 2013 and which are now largely implemented. The initial assessment of impact for the £43.6m savings options was also set out in the Strategic EIA at this time.

The strategic EIA set out here reflects on this assessment and further analyses the potential impact that the savings will have on customers.

It also recognises that the council's priorities and how it will look in the future will need to change given the scale of challenge in meeting 2015/16 and 2016/17 savings requirements.

## 2. Who are the main stakeholders in relation to the proposal?

As set out in previous strategic EIAs, the very nature of the services which the council provides, and the scale of the savings required, mean that a range of stakeholders are likely to be affected by changes to council activity in some way over the coming years (e.g. staff, service users, Elected Members, Trades Unions, local public sector partners, local businesses). In particular:

- **Service users/their carers** – both now and in the future, may find that some aspects of service provision change. Some services may change fundamentally and be delivered in a very different way; some services may reduce or stop; and some customers' eligibility to access services may change.
- **Members of the general public** – will be affected by changes to universal services and council tax.
- **Organisations working with or supported by the council** – the reducing level of resources available will continue to have an effect on the extent to which the council can provide financial support for the work of partner organisations. Equally, whilst difficult to quantify, the reduction in services provided by the council may also have an effect on the demands for the services provided by these partners.
- **Staff** – given the ongoing scale of the savings required, there will continue to be an impact on staff, whether through loss of employment or associated restructuring and change. The council's workforce has already reduced by over 1,000 posts, through voluntary means, in the last four years and it is intended to continue with these initiatives in order to seek further voluntary reductions over the next 2 years. In discussions with the unions the council will look at alternatives to making compulsory redundancies and consideration could be given to reducing the overall costs of employment as an alternative.

## 3. In summary, what are the anticipated (positive or negative) impacts of the proposal?

The philosophy set out by the council to deliver its budget is very clear about the council's priorities, the need to protect the most vulnerable as far as possible and ensure statutory compliance. The approach set out in the earlier parts of this EIA seeks to deliver the best outcome for Bolton in very difficult circumstances and, where possible, mitigate the worst of the impacts, particularly for the borough's most vulnerable people. However, this will need to be considered in the context of a much reduced controllable budget. Set out below is an initial 'high level' assessment of what the organisation's priorities and shape may look like in this context for the years 2015-16 and beyond:

- A strong focus on creating the conditions to deliver economic growth for the borough and local people
- Clear co-ordination and leadership of the totality of public services in Bolton to maximise the use of all public resources in a joined-up way. This is very important given the totality of the reductions in public services across Bolton
- Ensuring that services for the most vulnerable children and adults especially in relation to the council's responsibilities for safeguarding continue to be met
- Ensuring that we maintain at least the statutory minimum level of provision for services across the council
- Targeting the remaining resources for universal services to either support economic growth and where possible to continue to at least 'maintain' or 'narrow the gap'

To support this, the council has proposed savings options which seek to balance the interests of service users, the wider public, and staff, while also allowing the council to set a legal budget. However, the scale and breadth of the savings that are required, and the significant savings and efficiencies which have already been made, means that many of the proposals set out in the strategic budget options are likely to have an impact on stakeholders. At a time when very difficult decisions need to be made, this may well include impacts for people from Bolton's diverse communities.

Analysis of the reductions over 2013/14 and 2014/15 and their potential impact on customers illustrates this:

Type of saving	%
Financing changes, use of reserves etc	24.7%
Efficiencies: administrative / management changes	24.2%
Efficiencies: buying arrangements	3.8%
Efficiencies with some impact on customers / clients	12.9%
Additional income	0.5%
Direct Service Impact	33.9%
<b>Total</b>	<b>100%</b>

It should be stressed that, where possible, the options seek to make savings from efficiencies and areas such as supplies and services, accommodation, senior management and back office support services such as Human Resources and Finance to limit the direct impact on front line service delivery.

In addition to this, given that there will need to be very significant reductions in services over the next few years it is worth highlighting at a strategic level what some of the policy considerations might be for the years 2015-16 and beyond. These changes are likely to include the following:

- Changing the expectations about what the council can deliver
- Working more closely with individuals and communities to deliver services
- A stronger focus on demand reduction
- The council should consider commissioning more services.

**Council tax:**

In terms of council tax, any increase has a financial effect on all those who pay council tax in the borough. However, by raising council tax the council is able to increase its income and, therefore, reduce the amount of savings which may otherwise need to be achieved by caning or reducing service provision for customers, including those who may be from vulnerable groups. This therefore offers a degree of protection for services for the most vulnerable. In making a decision about the delivery of savings, the council needs to strike a balance between the impact on the general public of a council tax increase and the impact on the public in terms of service reductions. The recommendations made by the Cabinet and included in this report could have a financial impact for households in Bolton, which may be particularly difficult for those who are already under financial pressure.

An early headline analysis of the anticipated impact of the strategic budget options is set out in section 4 of this EIA, but it will be necessary to bring forward further strategic EIAs at key points throughout the programme, as the detail of individual options is developed. Throughout this process, the council will need to consider the impact of its proposals on its duties under national equalities legislation, which require it to have due regard to the outcomes below, while also ensuring that the council can set a legal, balanced budget:

- Eliminating unlawful discrimination, harassment and victimisation and any other conduct prohibited by the Act
- Advancing equality of opportunity between people who share a protected characteristic and people who do not share it
- Fostering good relations between people who share a protected characteristic and people who do not share it

4. **Is there any potential for (positive or negative) differential impact or adverse impact with regard to the identified stakeholders and the diversity groups (race, religion, disability, gender, gender reassignment, age, sexuality, caring status, pregnancy and maternity, marriage and civil partnership, socio-economic)? Can this be justified/what mitigating actions will be taken?**

As a reminder the initial analysis of impact for the £43.6m savings in 2013/14 and 2014/15 are reiterated below given that the latter year is considered in this report:

**Service users**

The headline analysis identified potential impacts around age, disability, caring status, and socio-economic deprivation. Specific impact around race, religion, gender, gender reassignment, sexuality, pregnancy and maternity, and marriage and civil partnership was not identified at this early stage, but has of course be analysed as part of detailed EIAs for individual reviews.

*Universal services*

The council has a clear strategy to make savings from universal services and to move from universal to targeted services in order to offer a degree of protection for services for the borough's most vulnerable people. People from across the borough have therefore been affected by changes to universal services including waste, highways and engineering, and neighbourhood services. People may have be affected in different ways, depending on the community or neighbourhood they live in; or their personal circumstances. This was explored as part of the detail of these reviews and mitigations put in place. In addition, an increase of council tax in the borough will have had a financial impact for those who pay council tax in the borough.

*Children and young people and their parents/carers*

Several significant reviews were proposed for services for children and young people. These included changes and reductions to play and youth services; children's centres; key workers in schools; and personal advisers; changes to transport provision for children with special educational needs; changes to services for children with disabilities; and increasing income from the music service.

In the broadest sense, changes to such services had the potential to impact upon children and young people – including those with disabilities or special educational needs; their parents/carers; and those young people who are also parents or carers. Limiting the impact on the most vulnerable children and young people was a priority, and care was taken to ensure that the potential impacts of proposals were well understood and mitigated as far as possible e.g. through targeting.

*Older people and those who care for older people*

Ongoing transformation within adult social care means that the way in which services are provided will continue to change. The council continues to seek to deliver quality and affordable services, while also promoting independence, choice and control and meeting statutory duties. However, service users and their families and/or carers are beginning to see changes as a result of the budget savings.

Areas already reviewed or under review include in-house care services; day services; supported housing and commissioned services. In addition, charges for services including meals, transport and day care will be reviewed in 2014/15. Recommendations to meet the budget shortfall also sought to make some additional savings from in-house social care provision.

Throughout this process, it has been essential to ensure that any proposed changes to services were based on a full understanding of need and eligibility, to ensure that Bolton's older people and their families continue to receive appropriate, accessible and safe care services.

*Socio-economic deprivation*

The council and its partners have a long-standing commitment to achieving economic prosperity and narrowing the gap in Bolton, which sits at the heart of the council's aim to protect the most vulnerable in the borough. Many of these people live in Bolton's most deprived areas, and Bolton's strategy continues to be to target resources to support people in these areas – although resources are much more limited than in previous years.

However, as resources continue to reduce, there is potential for the savings options to have an effect for people who are experiencing socio-economic deprivation. Reviews of housing services; strategic development (which seeks to grow economic investment and therefore improve prosperity in Bolton); council tax support/empty property charges; and community safety and neighbourhoods all have had an impact on those who are worst off financially.

Within these reviews, significant consideration has therefore been given as to how to limit the potential impacts for those on the lowest incomes. In addition, one-off funding has been made available over four years to support priority work which includes the economy and anti-poverty strategy.

### **Council tax payers**

If the option to increase council tax is approved there would be a financial impact on those who pay council tax in Bolton, since they would be asked to pay an increased level of council tax in order to reduce the amount of savings needed from council services. Any increase could have an impact on households, particularly those who are already under financial pressure.

### **Partners**

As in previous years, the council must look at making savings from across the range of services which it provides, including commissioned and grant funded services. This means that partners who receive funding from the council may see a change or reduction in their funding, which may in turn have an effect on their service delivery. This may affect partners from the voluntary, community and faith sector; as well as private or charitable organisations which deliver services in partnership with or on behalf of the council.

Clearly, it will be essential to make sure that the council continues its good working relationships with partners from across the private, voluntary, and charitable sectors to understand and, where possible, manage the impact of possible funding changes. In addition, it will be necessary for individual reviews to consider any potential impact on partner service delivery e.g. where shared building space or complementary services are being reviewed.

### **Staff**

The options agreed in February 2013 indicated that over two years 2013/14 and 2014/15 approximately 486 posts would be deleted. However, the majority of the savings have been delivered during 2013/14 and therefore for 2014/15 only 121 posts will be deleted. Of these, there are 85 vacancies which leaves approximately 36 where there is a potential redeployment / redundancy. However, there is a number of staff who have expressed an interest to go as part of the last voluntary severance initiative but are awaiting the outcome of a service review. This should reduce the numbers at risk even further. In addition, staff will also be affected by associated restructuring and change. The impact on the workforce – and its diversity – will continue to be monitored throughout the delivery of the budget programme.

**5. Are there any gaps in your evidence or conclusions which make it difficult to quantify the potential adverse impact? If so, please explain how you will explore the proposal in greater depth.**

Yes, the savings options as set out in this report sit at a high level. It will be necessary to bring forward detailed proposals for each of the savings options, including detailed analysis of equality impact, and this will take place on a phased basis during the coming year. It will also be necessary to consult with Trades Unions and appropriate stakeholders on each of the individual reviews as they come forward. The consultation processes will help to inform a full assessment of equality impact, and therefore the final proposals as they come forward. Members will be aware that several of these individual reviews are now underway or have been completed. Updated strategic EIAs will be brought forward at key points in the budget process.

Consultation took place on the council's strategic budget options (covering the savings of £34.6m which were approved in January 2013). A detailed analysis of the results of the public consultation on the strategic budget was provided to Members on 14 January 2013. The key messages were summarised as follows:

- significant majority of respondents accepted that savings needed to be made, and were aware that the council needed to change the way it delivered its services
- Most respondents agreed with most of the principles which the Council used to set its budget, although the level of support varied from a high of 91% (savings should be made from management and administration before frontline services) to a low of 40% (services should be reduced from excellent to good, or from good to satisfactory)
- Over half of the respondents felt that the right proportion of savings was being taken from each department. However only 38% felt that the right proportion was being taken from the Chief Executive's department, and 45% of respondents felt that more should be taken from this department
- Fifty-nine per cent of respondents agreed with the proposal for £14m capital investment, and a range of comments were received on this proposal
- Opinions on how to meet the budget shortfall were divided, with some respondents preferring smaller council tax increases and more service cuts; and others preferring larger council tax increases and smaller – or no – service cuts

The report identifies that in going forward the council will need to start a discussion and debate within the organisation and with stakeholders about what the council's priorities will be in the future and how the council may need to look different given the scale of the challenge faced. Whilst it is not suggested that the council will move away from the community strategy objectives of economic prosperity and narrowing the gap nor the commitment to 'protect the most vulnerable' this will need to be considered in the context of a much reduced controllable.

Further work and discussions will be undertaken as part of the first phase of the budget development activity to construct an internal and external narrative relating to priorities and future shape of the organisation and borough. Therefore it is currently too early to provide a fully detailed assessment of likely equality impact. Further detail on equality impact will be set out in the EIAs which accompany individual reviews, and updated strategic EIAs will be brought forward at key points during the programme. These will look at the overall impact of the proposals as further detail becomes available, and whether any groups may be affected by more than one proposal. In the meantime, the remainder of this strategic EIA provides a high level response to the council's standard EIA questions

These findings would suggest that, on the whole, the council's approach to its strategic budget – particularly the principles on which it is based – has some public support, but that responding to the differing attitudes and expectations of Bolton's diverse communities is not straightforward.

In conclusion, the council continues to make every effort to protect the most vulnerable as far as possible, and to respond appropriately to its duties under the Equality Act. However, this strategic EIA recognises the significant challenge which the financial position presents for Bolton, and the likelihood that many of the strategic budget options – whilst seeking to deliver the "least worst" outcome for Bolton – may well have an impact on a range of stakeholders as the council seeks to set a legal budget for the coming two years.

**Please confirm the outcome of this EIA:**

No major impact identified, therefore no major changes required – proceed
Adjustments to remove barriers / promote equality (mitigate impact) have been identified – proceed
Continue despite having identified potential for adverse impact/missed opportunities for promoting equality – this requires a strong justification
Stop and rethink - the EIA identifies actual or potential unlawful discrimination

X