

VARIOUS KEY CHANGES/PROPOSALS/ISSUES THAT COULD IMPACT ON THE COUNCILS FINANCES

APPENDIX 2

Schools Funding		
Local Authority Central Services Education Grant (LACSEG)	Consultation paper issued for response by 16 August 2011	Top slice funding reduction of £0.8m in 2011/12 and a further £0.6m in 2012/13 (cumulative total of £1.4m) has been reflected in the Council's budget. This sum is based on the impact of "average" transfers across local authorities. If the formula was based on actual transfers per individual local authority the reduction in funding would have increased to a total of £3.5m by 2012/13 – further potential loss of grant income of £2.1m. Consultation paper includes an option that would potentially increase loss of grant to Bromley by approx. £6m. Not clear whether any retrospective adjustments can be made to 2011/12 and 2012/13 funding – will require parliamentary approval. However, there will be a significant impact for 2013/14 and future years.
Review of School Funding	Consultation paper issued for response by 11 October 2011	Could impact on funding to Bromley schools depending on final option chosen. Detailed financial models awaited.
Review of Education Capital	Consultation paper issued for response by 11 October 2011	Revised future role of Local Authority to collect building condition and school data and provide DfE with an investment plan by 2012 (replaces Education Asset Management Plan). Also national procurement arrangements (through central body) may go ahead limiting the role of local authorities in procuring major works
Local Government Resource Review		
Proposals for retention of business rates	Consultation paper issued on 18 July 2011 with 8 technical papers to follow. Consultation closes on 24 October 2011	Bromley could benefit from this proposal on the basis that: (a) It will continue to see real growth in our business rate base; (b) The Council is presently receiving over £6m (2012/13) in Formula Grant damping which may be "protected" under the current proposal; (c) The Council could factor business rate retention monies, as part of a business case, in any future development proposal that would increase the business rates base. Technical papers which will provide more details of the implications of the proposals are awaited.
Council Tax Benefit Localisation	Consultation paper issued on 2 August 2011. Consultation closes on 14 October 2011	Local Authorities will receive an unringfenced grant reflecting a <u>10% reduction</u> (equates to approximately £1.9m based on 2011/12 Budget. No changes to current level of support for pensions (about one third of claimants). Potential reduction in entitlement of other claimants of 15% to match reduction in funding – the Government proposes some protection to other claimant groups. The Council has faced year on year increases in claimants and associated costs which is unlikely to be funded by government within the proposals representing a further cost risk.
Community Budgets	Details awaited	There are currently various community budget pilots and any proposals are awaited

Other Changes		
Inflation	CPI 4.2%, RPI 5% RPIX 5% June 2011	Overall 1% increase equates to £2m if all elements of costs are included e.g. pay awards, income etc.
Public Sector pensions	Government to fully respond to Hutton Commission and review current contribution rates by October 2011	Local Government Pension Scheme has been granted autonomy to formulate its own packages of reform on basis that savings of £0.9bn per annum will be found. Any package of reforms will need to be agreed by the Treasury and include a combination of increases in employee's contributions and changes to benefits of current scheme. The Government is seeking savings of £2.8bn per year for all public sector pension schemes equivalent to an average increase in member's contributions of 3.2%. Any savings to the Council could be offset by the possible phasing out of contracted out National Insurance to fund the future Universal State Pension.
Dilnot Review of Adult Social Care	Report produced by Dilnot on adult social care. Government will publish a white paper in spring 2012 which may reflect some of changes – implementation of any changes may be after next general election	Recommendations include: <ul style="list-style-type: none"> (a) A £35k cap on care costs (age 65 years and above); (b) Free care to those who acquire needs before they turn 40 years; (c) An annual cap of between £7k and £10k on living costs in care home; (d) A national assessment and eligibility system; (e) Increasing means testing threshold to £100k and capping individual costs; (f) Councils can still set their own charges for non residential care services. <p>The reforms would cost (initially) £1.7bn nationally to deliver and these costs will increase in future years. Government will publish a white paper in spring 2012 which may reflect some of changes – implementation of any changes may be after next general election. The cost implications for the Council will depend on the final implementation of any proposals and whether funding is provided by Government to meet the costs.</p>
Open Public Services	White Paper published and is subject to a "listening period" between July and September 2011	Proposals include offering personal budgets for SEN as well as disability budgets (adult social care by 2013 is already planned). Empower communities through community ownership schemes and the community right to challenge (including challenge to run local authority services). Also introduce an "open commissioning" policy to allow challenge by potential providers as to how services are shaped and delivered. Also includes exploring opportunities for local authorities to be the peoples champion for all public services in their area. Not possible to identify any cost implications at this stage.
Localism Bill		Over 140 regulation making powers, order making powers, guidance, statutory requirements and duties. Includes general power of competence, elected mayors, standards, pay accountability, EU fines, community empowerment, localisation of business rates, planning, housing and London (GLA)
New Burdens Doctrine	Guidance for Government Departments	This relates to guidance for Government departments which can be used by Bromley to seek justification/review of any changes that result in additional costs without adequate funding from Government. Government departments are required to ensure that the net additional cost of all new burdens placed on local

		authorities by government departments is assessed and “fully and properly funded”. This will ensure that the “pressure on Council Tax is kept down”.
New Homes Bonus	Introduced from 2011/12	Funding identified to 2014/15 with commitment from Government to fund beyond 2014/15 from top-slice of the national business rate pool.
Welfare Reform: Changes to housing benefit		Housing Benefit will be replaced with Universal Credit with housing benefit phased out from October 2013 and October 2017. Responsibility for crisis loans and community care grants will be transferred from DWP to local authorities. The Council receives grant funding of £111m for housing benefit and there are potential cost implications arising from the transfer period as well as potential one off costs that are required. It is not clear whether these costs will be fully grant funded.
Demographic and Population Changes		Data from recent census is awaited. London’s population is set to rise by 9% over the next ten years. The largest increase is expected to be those aged 85 years and over and by 2035, the number of people aged 85 and over is projected to be 2.5 times larger than in 2010 across London. The impact of longer life expectancy is also likely to have an impact on the demand for social care services and SEN.
Interest on Balances		Income of £2.7m is assumed in the 2011/12 Budget. The financial forecast assumes interest on new investments as follows: 1.5% in 2012/13, 2% in 2013/14, 2.5% in 2014/15 and 3% in 2015/16 A variation of 0.25% in these assumptions would result in an increase/decrease in the interest forecast of around £100k in 11/12, £360k in 12/13 and around £430k pa thereafter.
2011/12 Financial Monitoring	Report to Executive September 2011	The most significant cost pressure which could have an impact on the 2012/13 and future years budgets is residential care for children with disabilities. There is a projected overspend of £0.6m to date. There are also cost pressures relating to older people. Further details are included in the 2011/12 Financial Monitoring report elsewhere on this agenda. No additional costs in 2012/13 have been assumed in the financial forecast at this stage.
Comprehensive Spending Review		The financial forecast includes assumptions about future reductions in Government funding. The Council has a two year financial settlement for 2011/12 and 2012/13. General assumptions have been made about further reductions in 2013/14 and 2014/15 which is the final 2 years of the current Comprehensive Spending Review period (2011/12 to 2014/15). “Speculative” assumptions have been made about funding in 2015/16 on the basis that reductions in government funding will continue beyond 2014/15.