

Appendix B

Relevant Minute from the Executive meeting held on 7th September 2011

61 UPDATE ON THE COUNCIL'S FINANCIAL STRATEGY 2012/13 TO 2015/16

Report RES11075

The Executive discussed an updating report on the Council's financial strategy which also outlined the issues that would continue to shape the medium and longer term strategy. Particular attention was drawn to the ongoing reductions in funding faced by the Council over the medium and longer term in the light of the current financial state of public finances.

The Finance Director introduced his report and explained the context of the current financial situation which was an international as well as a national problem impacting on public finances which ultimately affected all local authorities. The report included a summary of the latest budget projections for Bromley and the additional savings required to balance the budgets for 2012/13 to 2014/15. Members noted that there was a further budget gap of £3.4m in 2012/13 rising to £28.4m per annum by 2014/15. The key factors contributing to the ongoing budget gap were inflation, the ongoing loss of Government grants and service pressures as already highlighted in the previous budget monitoring item. The Finance Director drew attention to Appendix 2 of the report which showed the crucial changes/proposals that could also impact on the Council's finances. He highlighted among others issues the Local Authority Central Services Education Grant (LACSEG) which showed that the potential further loss of grant to Bromley could be about £5m. This figure had not been reflected in the budget gap at this stage as the situation was still unclear. Against this background consideration had been given to how to bridge the on-going budget gap and one of the various measures included a review of the Council's key assets was currently being undertaken. Arising from this it was proposed to utilise about half (£25m) of the Council's general reserves (totalling £49m) to set up two investment funds with the remaining reserves being the minimum level necessary for financial prudence. The first one would be a Regeneration/Investment Fund which would allow for the acquisition of certain assets creating additional levels of income for the Council and supporting the Council's regeneration ambitions. The second Invest to Save fund would provide for 'loans' to be made for appropriate initiatives with any savings taking into account an element for repaying the fund whilst generating further savings. Details of the stringent criteria for applications to the fund were set out in the report.

The Chairman commented that the proposals, particularly the Regeneration and Investment Fund were intended to make better use of the Council's assets and yield higher returns whilst bringing much needed investment into the Town Centres. Other London Boroughs had already used this approach to advantage rather than leaving funds in reserves which gained poor returns. In response to some concerns raised by Councillor Evans about the true

worth of Invest to Save schemes, the Resources Portfolio Holder accepted that a better system of monitoring such schemes was needed and he would expect monitoring reports, including the measuring of outcomes, to be submitted to the Improvement & Efficiency Sub-Committee and PDS Committee. He also spoke in support of the proposals as a strategy for the future.

Councillor Morgan expressed his support for the actions proposed but felt that Bromley was continually penalised for being efficient and rather should be rewarded. He asked if further representations could be made to the Government on this issue. Councillor Morgan also stressed the need for rigorous testing of schemes submitted for Invest to save funding.

The Leader advised that representations had been made to the Government on a number of occasions and he had had two meetings with Bob Neill, the Parliamentary Under Secretary of State for Communities and Local Government. Currently he was meeting with a number of London Boroughs (cross party members) to put a new round of representations to the government on this issue.

Councillor Noad agreed with what was proposed and said that there were examples of Invest to Save schemes that had proved a success such as Riverside. On the question of paying back into reserves one of the issues was that the number of service users was expanding taking up the profit earned.

Members commended the report for its clarity in setting out the present financial position. The Chairman stressed that this was ongoing work and emphasised the need for robust monitoring of each case before any finances were made available and that it would be carried out in a transparent and open manner.

RESOLVED that

- 1) approval be given to continuing the updated “One Bromley” approach to the budget as set out in paragraphs 9.1 – 9.3 of the report;**
- 2) the latest financial forecast for 2012/13 to 2015/16 be noted as well as the continued financial uncertainty;**
- 3) the variable changes that can impact on the Council’s overall financial position as detailed in paragraph 6 (a) – (j) of the report be noted; and**
- 4) the report be referred to individual PDS Committees for their consideration and any comments be reported back to the Executive.**

RESOLVED that Council be RECOMMENDED to:

- 1) approve the creation of a Regeneration/Investment Fund**

(Earmarked Reserve) with £10m set aside from general reserves as detailed in Paragraph 10.4 of the report; and

2) approve the creation of an Invest to Save Fund (Earmarked Reserve) with £14m set aside from general reserves as detailed in Paragraph 10.5 of the report.