

Decision Maker: **Renewal and Recreation PDS Committee**

Date: **26 January 2012**

Decision Type: Non-Urgent Executive Non-Key

Title: **DRAFT 2012/13 BUDGET**

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Chief Officer: Marc Hume, Director of Renewal and Recreation

Ward: Boroughwide

1. Reason for report

- 1.1 The prime purpose of this report is to consider the Portfolio Holder's Draft 2012/13 Budget which incorporates future cost pressures and initial draft budget saving options which were reported to Executive on 11th January 2012. Members are requested to consider the initial draft budget saving proposals and also identify any further action that might be taken to reduce cost pressures facing the Council over the next four years.
- 1.2 Executive are requesting that each PDS Committee consider the initial draft budget savings and cost pressures for their Portfolio and the views of each PDS Committee be reported back to the next meeting of the Executive, prior to the Executive making recommendations to Council on 2012/13 Council Tax levels.
- 1.3 There are still outstanding issues and areas of uncertainty remaining. Any further updates will be included in the 2012/13 Council Tax report to the next meeting of the Executive.
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2. **RECOMMENDATION**

- 2.1 The PDS Committee are requested to:
- (a) Consider the initial draft 2012/13 Budget as a basis for setting the 2012/13 Budget;
 - (b) Consider the initial draft saving options proposed by the Executive;
 - (c) Consider the update on the financial forecast for 2013/14 to 2015/16;
 - (d) Provide comments for the February meeting of the Executive on the Draft 2012/13 Budget.

Corporate Policy

1. Policy Status: Existing policy. Sound financial management
 2. BBB Priority: Excellent Council.
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Financial

1. Cost of proposal: N/A
 2. Ongoing costs: Recurring cost.
 3. Budget head/performance centre: Renewal and Recreation Portfolio Budgets
 4. Total current budget for this head: £14.1m
 5. Source of funding: Draft revenue budget 2012/13
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Staff

1. Number of staff (current and additional): full details will be available with the Council's 2012/13 Financial Control Budget published in March 2012
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: Statutory requirement. The statutory duties relating to financial reporting are covered within the Local Government Act 1972; the Local Government Finance Act 1998; the Accounts and Audit Regulations 1996; the Local Government Act 2000 and the Local Government Act 2002
 2. Call-in: Call-in is applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The 2012/13 budget reflects the financial impact of the Council's strategies, service plans etc which impact on all of the Council's customers (including council tax payers) and users of the services.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.
2. Summary of Ward Councillors comments:

3. COMMENTARY

Approach to the Budget

- 3.1 Forward financial planning and financial management is a key strength at Bromley and this has been recognised previously by our external auditors. The Executive report on the 11th January 2012 set out the financial forecast for the next 4 years but with some caution around projections for the 3rd and 4th year of the Comprehensive Spending Review period (2013/14 and 2014/15) as well as the year following the 4-year Comprehensive Spending Review period (2015/16). There are significant changes which can impact on the Council's finances from 2013/14 arising from the final outcome of the Local Government Resources review which includes the localisation of business rates and council tax benefit.
- 3.2 The Budget Strategy has to be set within the context of a reducing resource base – the need to reduce the size and shape of the organisation to secure priority outcomes within the resources available. There is also a need to build in flexibility in identifying options to bridge the budget gap as the gap could increase further. The overall updated strategy has to be set in the context of the national state of public finances, unprecedented in recent times, and the high expectation from the Government that services should be reformed and redesigned. There is also a need to consider “front loading” savings to ensure difficult decisions are taken early in the budgetary cycle, provide some investment in specific priorities and to support invest to save opportunities which provide a more sustainable financial position in the longer term, ensuring stewardship of the Council's resources . Any budget decisions will need to consider the finalisation of the 2012/13 Budget but also consider the longer time frame where it is now clear that a longer period of austerity beyond 2015/16 is inevitable. Members will need to consider decisions now that can have a significant impact on the future year's financial position which ultimately will help to protect key services. Further details of the Council's approach to budgeting were included in the “Update on Council's Financial Strategy 2012/13 to 2015/16” considered by Executive on 7th September 2011.

Changes that could impact on longer term financial projections

- 3.3 In considering the next four years there remain many variables which will impact on any final outcome, these include:-
- The scale of schools transferring to Academies will result in further “top slicing” in formula grant funding to the Council. An estimated additional £3 million per annum from 2013/14 has been assumed in the forecast, at this stage;
 - Income from interest on balances included in the 2011/12 Council Tax report assumed that interest rates will increase to 4.25% by 2014/15. The latest forecast assumes a revised level of 2.0% by 2014/15. Recent indications are that interest rates will remain low in the medium term which was confirmed in the recent downward projections on interest rates included in the Bank of England Inflation Report (November 2011). The credit rating agencies and the market in general continue to be extremely nervous about the financial climate resulting in recent downgrades to UK banks and building societies, primarily Barclays, Santander and Nationwide which will result in reductions to the total value and duration of such investments. This will undoubtedly lead to greater reliance on money market funds, which pay considerably lower rates in exchange for instant access to cash. The recent changes will impact on the Council's ability to earn interest on investments in 2012/13 and 2013/14 and potentially later years.
 - There will be a review of local government finance and the initial proposals include the abolition of Formula Grant and allow local authorities to retain business rates. Although Bromley would be a net gainer, in reality there would be a business rate equalisation

scheme to support low revenue raising authorities which may offset any gains. Other Government grants will still reduce in future years to reflect planned reductions in public spending. No changes to the financial forecast have been made at this stage. There are planned 10% reductions in Council Tax Benefit Subsidy from 2013/14 which the projections assume will be cost neutral (i.e. offset by a corresponding reduction in payments). These proposals result in a significant risk transfer from central government to local government. Government currently manages the increasing costs of council tax benefit and the risks relating to variations in business rates. These risks will be managed by the Council from April 2013. Finally more detail of the options for “community budgets” will be produced from the local government finance review;

- The coalition Government will introduce many changes in its first term including, for example, changes to health (including transfer of funding for public health from 2013/14), welfare benefits, localism (including new powers of competence for Councils to act in the interest of their communities), which have been assumed as cost neutral in the projections at this stage;
- There will be many other variables as the forecast is based on predicting the next four years; the longer the timescale the greater the uncertainty. Many of the national issues outlined above, makes accurate forecasting post April 2013 virtually impossible. However, it is clear that a significant “budget gap” will continue.

Latest Financial Forecast

- 3.4 A summary of the latest budget projections including further savings required to balance the budget for 2012/13 to 2013/14 are summarised below:

| | 2012/13 £m | 2013/14 £m | 2014/15 £m | 2015/16 £m |
|--|--------------------|--------------------|---------------------|---------------------|
| Cost Pressures | | | | |
| Inflation | 8.10 | 15.70 | 23.40 | 31.10 |
| Interest on Balances | 0.00 | 0.00 | -0.50 | -1.00 |
| Grant loss | 7.30 | 11.80 | 20.10 | 27.90 |
| Real changes | 1.50 | 3.30 | 5.70 | 9.60 |
| Provision for risk | 2.00 | 1.50 | 1.50 | 1.50 |
| Loss of grant funding (LACSEG) | 0.00 | 3.00 | 3.00 | 3.00 |
| | <u>18.90</u> | <u>35.30</u> | <u>53.20</u> | <u>72.10</u> |
| Income/Savings | | | | |
| 2.5% increase in Council Tax (assumes freeze at this stage for 2012/13) | 0 | -3.3 | -6.7 | -10.1 |
| Savings approved by Executive February 2011 | -10.6 | -9.7 | -9.7 | -9.8 |
| Further savings identified | -13.8 | -23.9 | -23.9 | -23.9 |
| | <u>-24.4</u> | <u>-36.9</u> | <u>-40.3</u> | <u>-43.8</u> |
| Other | | | | |
| Invest to Save (one-off) | 3.00 | 0.00 | 0.00 | 0.00 |
| Council Tax Freeze grant | -3.00 | 0.00 | 0.00 | 0.00 |
| Contribution to Glades | 0.90 | 0.00 | 0.00 | 0.00 |
| Increase in Council Tax base | -0.50 | -0.50 | -0.50 | -0.50 |
| New Homes Bonus – transfer to earmarked reserve | 2.00 | 2.30 | 2.50 | 2.70 |
| Increase in New Homes Bonus | -1.30 | -1.50 | -1.80 | -2.00 |
| Infrastructure Fund (one off funding) | 4.40 | 1.30 | | |
| | <u>5.50</u> | <u>1.60</u> | <u>0.20</u> | <u>0.20</u> |
| Remaining "Budget Gap" | <u>0.00</u> | <u>0.00</u> | <u>13.10</u> | <u>28.50</u> |

The above table shows, for illustrative purposes the impact of a council tax freeze in 2012/13. If Members agree a council tax increase of 2.5% in 2012/13 the medium term "budget gap" reduces by £3.3m. Each 1% council tax increase generates ongoing annual income of £1.3m.

Growth Pressures

- 3.5 A breakdown of growth pressures over the next four years is included in Appendix 3 of the Executive report of 11 January 2012 and included in the table above under "Real Changes". This growth in service pressures across the Council is forecast to be £1.5m in 2012/13 increasing to £9.6m by 2015/16. There is nil growth included for the Renewal and Recreation Portfolio.

4. CHIEF OFFICER COMMENTS

- 4.1 Expenditure pressures in relation to services for the Renewal and Recreation Portfolio are detailed below: -

Adult Education Centre

For the current academic year efficiencies and savings of £310k have had to be identified to balance the budget following the reduction in the Skills Funding Agency Grant. It is not yet known what the grant settlement will be for the forthcoming academic year but it is anticipated that it will be lower than the current level and therefore further savings will have to be identified to meet any reduction in grant. An indicative allocation for the 2012/13 academic year is expected to be provided by the Skills Funding Agency at the end of December 2011. As part of the recent strategic review of the adult education service, a costed three year plan has been developed which demonstrates how the service can realise savings of up to £492k in 2012/13 if necessary.

Income from Planning Applications

Planning fees are currently projected to show a deficit of £427k for the year due to a reduction in the volume of planning applications and again this is being contained by keeping posts vacant and reducing other expenditure. The situation is dependent on the economic situation and any improvements would relieve the budget pressure. The Government consultation on whether fees after planning applications should increase nationally or by enabling Local Authorities to set fees to recover costs took place over a year ago. A response is still awaited.

Income from Building Control

Income from building control notices and first inspection is currently £305k below budgeted income for the first eight months of the year due to a fall in the number of building projects started during this period. This is currently being partly offset by reductions in expenditure and by holding posts vacant.

- 4.2 A summary of the savings options relating to the Renewal and Recreation Portfolio is shown in the table below:

| Summary of Savings Options | 2012/13 | 2013/14 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Appendix 1A - Savings currently being implemented by Chief Officers | 229 | 411 |
| Appendix 1B - Savings related to on-going impact of 2011/12 budget options | 0 | 511 |
| Appendix 1C - Further savings identified | 47 | 297 |
| Portfolio Total | 276 | 1,219 |

- 4.3 Further analysis of these savings options is included within Appendix 1 and more detail will be provided verbally at the meeting.

5. POLICY IMPLICATIONS

- 5.1 The Council's key priorities are included within the Council's "Building a Better Bromley" statement and include:

- Safer Communities
- A quality environment
- Vibrant, thriving town centres
- Supporting independence, especially of older people
- Ensuring all children and young people have opportunities to achieve their potential

- An Excellent Council

5.2 “Building a Better Bromley” refers to aims/outcomes that includes remaining amongst the lowest Council tax levels in Outer London” and achieving a “sustainable council tax and sound financial strategy”.

6. FINANCIAL IMPLICATIONS

6.1 The financial implications are contained within the overall report.

7. LEGAL IMPLICATIONS

7.1 The delivery of some budget options will be dependant on consultation and formal decisions outside of the budget setting process. The Council has to set a lawful balanced budget before 11th March which will include contingencies to cover such items.

8. PERSONNEL IMPLICATIONS

8.1 The Corporate Trade Union and Departmental Representatives’ Forum receives regular updates on the Council’s finances and the associated policy implications and challenges. Staff and their trade union representatives will be consulted individually and collectively on any adverse staffing implications arising from the budget options. Managers have also been asked to encourage and facilitate staff involvement in budget and service planning.

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| Non-Applicable Sections: | |
| Background Documents: (Access via Contact Officer) | Documents held within ES/RR finance section |