

PART 1 - PUBLIC

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Decision Maker: Care Services Policy Development and Scrutiny Committee

Date: 16th January 2013

Decision Type: Non-Urgent Executive Non-Key

Title: DRAFT 2013/14 BUDGET

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Chief Officer: Executive Director of Education & Care Services

Ward: Boroughwide

1. Reason for report

- 1.1 The prime purpose of this report is to consider the Portfolio Holder's Draft 2013/14 Budget which incorporates future cost pressures and initial draft budget saving options which were reported to Executive on 9 January 2013. Members are requested to consider the initial draft budget savings proposed 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 proposed 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 2013/14 Council Tax levels.
 - 1.3 There are still outstanding issues and areas of uncertainty remaining. Any further updates will be included in the 2013/14 Council Tax report to the next meeting of the Executive.
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2. **RECOMMENDATION(S)**

The PDS Committee are requested to:

- (a) Consider the update on the financial forecast for 2013/14 to 2015/16;
- (b) Consider the initial draft saving options proposed by the Executive for 2013/14.
- (c) Consider the initial draft 2013/14 Budget as a basis for setting the 2013/14 Budget;
- (d) Provide comments on the initial draft 2013/14 Budget for the February meeting of the Executive.

Corporate Policy

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

1. Cost of proposal: N/A
 2. Ongoing costs: N/A.
 3. Budget head/performance centre:
 4. Total current budget for this head: £
 5. Source of funding:
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Staff

1. Number of staff (current and additional): full details will be available with the Council's 2013/14 Financial Control Budget published in March 2013
 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):
 2. The 2013/14 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? No.
2. Summary of Ward Councillors comments:

3. COMMENTARY

Approach to Budgeting

- 3.1 Forward financial planning and financial management is a key strength at Bromley and this has been recognised previously by our external auditors. This report continues to forecast the financial prospects for the next 4 years but some caution is required in considering any projections beyond the 4 year Comprehensive Spending Review period i.e. 2015/16 and 2016/17. The report identifies the significant changes which 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 the new council tax support scheme.
- 3.2 The Budget Strategy has to be set within the context of a reducing resource base, with ongoing Government funding reductions continuing till beyond 2020 – the ongoing 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 an ongoing 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 2013/14 Budget but also consider the longer time frame where it is now clear that a longer period of austerity up to 2020 and beyond 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

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. Some examples are highlighted below:
- (a) Impact of “recession” factors likely to continue in the foreseeable future, as the economy continues to face an unprecedented period of low/negative growth and further uncertainty. This includes, for example, losses of income and increased demands for services;
 - (b) Interest rates will remain low in the medium term, which results in lower investment income for the Council – the deleveraging of banks, quantitative easing and “funding for lending” have resulted in a reduction in interest earnings over the last few months;
 - (c) The Government has also confirmed additional spending reductions of 2% (in addition to previous planned reductions) in 2014/15;
 - (d) The Government have previously indicated that the planned reductions in funding in 2015/16 and 2016/17 are significantly greater than the equivalent annual reductions for the period 2011/12 to 2014/15;
 - (e) The Government has also confirmed additional spending reductions in 2017/18 in the recent Autumn Statement;
 - (f) The Government has confirmed in the Chancellors Autumn Statement that “detailed plans for spending in 2015/16, including the breakdown by department, will be set out in first half of next year” – it is therefore not possible to accurately predict the funding reductions for 2015/16 and future years;
 - (g) Inflation remains higher than previously predicted by many economists which is mainly due to “external factors” (e.g. commodity and oil prices etc.);
 - (h) Impact of demographic factors including an increasing older population;

- (i) Ongoing consequences of protecting many elements of government spending (mainly education and health) results in spending reductions being intensified in remaining “unprotected areas” – local government is currently the largest non ring fenced area of spend.

Latest Financial Forecast

- 3.4 The report to the Executive in January 2013 identified a budget gap of £106K in 2013/14, £12,602k in 2014/15, and £25,561k in 2015/16 increasing to £39,277k by 2016/17. This assumes that all savings on Appendix 4 of the Executive report are agreed.

Growth Pressures & Real Changes

- 3.5 A breakdown of the growth pressures over the next four years for Care Services Portfolio is shown below:-

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Adults with learning disabilities - new placements	903	1,793	1,793	1,793
Homelessness - Bed & Breakfast pressures	1,000	1,000	1,000	1,000
	<u>1,903</u>	<u>2,793</u>	<u>2,793</u>	<u>2,793</u>

- 3.6 A sum of £1m has also been set aside in the central contingency for the potential impact of the welfare reform.

Saving Options

- 3.6 A summary of the new savings options relating to the Care Service Portfolio is shown in Appendix 1 of this report.

Policy Sheets

- 3.7 Appendix 2 contains the details of the Draft Revenue Budget, variations and their details and a subjective summary of the Care Services Portfolio.

4. COMMENTS FROM THE EDUCATION AND CARE SERVICES DIRECTOR

- 4.1 The achievability of savings arising from efficiency targets with suppliers is critically dependent upon successful commissioning activity and negotiations with external providers for below inflation increases, no increases or reductions in annual costs. This strategy has been effective in the past. However, as we become increasingly demanding on price, the market may respond by contracting. This results in fewer suppliers willing to do business with us and therefore prices may rise. Managing the market to ensure we continue to have a range of suppliers will be vital in the coming years. The department delivered significant savings in 2012/13 through contract negotiations and the 2013/14 budget assumes that this will continue.

Challenging targets have been set and officers will continue to review services to ensure that they deliver in the most cost effective way that generates the budget savings.

4.2 The Executive Director of Education and Care services has highlighted a range of key issues that need to be taken into account in shaping the 2013/14 budget arrangements for care services:-

4.3 Ageing Population

The number of people aged over 85 years in Bromley's population continues to increase, and during the past year the department has faced increasing demands for assessments and numbers of safeguarding alerts needing investigation. This will put a significant strain on resources during 2013/14 as we seek to keep on top of and improve performance in these areas. Officers will continue to manage this cost pressure by effective implementation of eligibility criteria, and maximising opportunities for maintaining people's independence – minimising the need to use residential and nursing care placements and helping more people remain in their own homes through direct payments and domiciliary care packages.

Based on the evidence of the current year and the continuing increasing numbers of older people within the population, and continuing pressures from young disabled people reaching adulthood with significant care needs, 2013/2014 will be another very challenging year financially.

4.4 Bed and Breakfast Accommodation

Forecasts based on the latest activity available show an increase in the demand on Bed & Breakfast accommodation for 2012/13 which is forecast to continue into 2013/14. The projected full year cost pressure of £1,000k is included in the four year financial forecast for 2013/14.

An invest to save initiative is currently in place which has helped to minimise the growth as far as possible. Without this in place the growth would be greater. Officers continue to explore alternative options around managing these cost pressure down but this remains a key pressure area for 2013/14.

4.4 Learning Disabilities

Learning Disabilities continues to show growth over future years. A sum of £903k is included in the budget for 2013/14 which reflects the number of people with complex learning disabilities going into residential care. Work is ongoing to review all high cost placements and ensure that a number of people with learning disabilities can move into supporting living schemes in the Borough. Moving people from existing placements into supported living is a complicated task which requires careful planning and consideration

4.5 Welfare Reform

The Government is planning fundamental reform of the welfare benefits system in order to simplify the existing system and improve work incentives.

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 include "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 Local Authorities (Standing Orders)(England) Regulations 2001 deal, amongst other things, with the process of approving the budget. Under these provisions and the constitution, the adoption of the budget and the setting of the council tax are matters reserved for the Council upon recommendation from the Executive. Sections 73-79 of the Localism Act 2011 has amended the calculations billing and precepting authorities need to make in determining the basic amount of Council tax. The changes include new sections 31 A and 31 B to the Local Government Finance Act 1992 which has modified the way in which a billing authority calculates its budget requirement and basic amount of Council Tax.

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

Non-Applicable Sections:	
Background Documents: (Access via Contact Officer)	Finance Monitoring, Estimate Documents etc all held in Finance Section