

Decision Maker: Environment PDS Committee

Date: 29 January 2014

Decision Type: Non-Urgent Non-Executive Non-Key

Title: DRAFT 2014/15 BUDGET

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Chief Officer: Nigel Davies, Executive Director of Environment and Community Services

Ward: Boroughwide

1. Reason for report

- 1.1 The prime purpose of this report is to consider the Portfolio Holder's Draft 2014/15 Budget which incorporates future cost pressures and initial draft budget saving options which were reported to Executive on 15 January 2014. 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 2014/15 Council Tax levels.
 - 1.3 There are still outstanding issues and areas of uncertainty remaining. Any further updates will be included in the 2014/15 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 2015/16 to 2017/18;
- (b) Consider the initial draft saving options proposed by the Executive for 2014/15.
- (c) Consider the initial draft 2014/15 Budget as a basis for setting the 2014/15 Budget;
- (d) Provide comments on the initial draft 2014/15 Budget for the February meeting of the Executive.

Corporate Policy

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

1. Cost of proposal: N/A
 2. Ongoing costs: Recurring cost.
 3. Budget head/performance centre: Environment Portfolio Budgets
 4. Total current budget for this head: £40.6m
 5. Source of funding: Draft revenue budget for 2014/15
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Staff

1. Number of staff (current and additional): full details will be available with the Council's 2014/15 Financial Control Budget published in March 2014
 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 not applicable.
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected):
 2. The 2014/15 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: Council wide

3. COMMENTARY

Approach to Budgeting, Financial Context and Economic Situation which can impact on public finances

- 3.1 The overall approach to budgeting as well as an update on the economic situation were reported to the previous meeting of the Executive in sections 3 and 4 of the “Update on Council’s Financial Strategy 2014/15 to 2017/18” report. Economic growth has returned and the UK is now seeing a faster increase in economic activity than most of the Eurozone. However, the Budget Strategy has to be set within the context of a reducing resource base, with Government funding reductions, in reality, continuing until beyond 2020 – the ongoing need to reduce the size and shape of the organisation to secure priority outcomes within the resources available. Members will need to consider decisions now that can have a significant impact on the future years’ financial position which ultimately will help to protect key services.
- 3.2 The Council receives a low level of Formula Grant and has maintained the lowest Council Tax level in outer London (Band D equivalent, using ONS categories) by having the lowest spend per head of population in London. One of the key issues in future year budgets will be the balance between spending, Council Tax levels, charges and service reductions in an organisation starting from a low spending base. It is important to recognise that a lower cost base reduces the scope to identify efficiency savings compared with a higher cost organisation. Any decisions will need to take into account the longer term impact on the Council’s financial position – financial sustainability will be key in order to protect key services to Bromley residents.

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) The Autumn Statement was published on 5th December 2013 and subsequently the Local Government Financial Settlement was provided on 18th December 2013. Key changes include an improved position on the Council’s 2014/15 core funding from Government, changes to the arrangements for council tax freeze grant and greater uncertainty about future arrangements for new homes bonus funding. Indicative funding was provided for costs associated with the Care Bill and the arrangements with the Better Care Fund;
 - (b) The Council’s tax base has been updated to reflect an increase in properties compared with the previous year;
 - (c) Inflation is at a four year low, using inflation data published in mid-December, which has now been reflected in the latest financial projections;
 - (d) The financial forecast assumed for 2014/15 a significant increase in the cost of freedom passes which partly reflected planned fare rises above inflation. The final outcome results in the costs being less than previously estimated;
 - (e) There have been various other savings identified which include, for example, the impact of recent announcements on levies and a reduced contribution to London Boroughs’ Grant Committee;
 - (f) The Government issued a consultation paper in early December which proposes changes to the statutory framework for parking enforcement. The proposals, if implemented, could result in a significant loss of income which needs to be reflected in the provision for risk/uncertainty in the Council’s Central Contingency Sum.

Latest Financial Forecast

- 3.4 The report to the Executive in January 2014 identified a budget gap rising to over £52m per annum by 2017/18, which is broken down in the table below. The budget gap from 2016/17 increases more steeply as the expected loss in Government funding is expected to increase sharply during that period.

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Cost Pressures				
Inflation	5.6	11.7	17.3	24.1
Grant loss	7.8	17.6	28.9	43.9
Real changes (Appendix 3, Executive Report)	3.5	6.0	10.9	14.5
Net reduction to reflect top-slice of LACSEG	2.0	1.9	2.2	2.2
	18.9	37.2	59.3	84.7
Income/Savings				
Saving proposals agreed by Executive February 2013	-1.6	-1.6	-1.6	-1.6
Savings to be considered by Executive (Appendix 4, Executive Report)	-5.7	-5.7	-5.7	-5.7
Reduction in provision risk/uncertain items	-1.3	-3.0	-3.0	-3.0
Release of Business Rate Share Income provision for 2013/14 in central contingency	-1.0	-1.0	-1.0	-1.0
Revision to Business Rates Share	-1.0	-1.0	-1.0	-1.0
Increase in property numbers (council tax base)	-0.9	-0.9	-0.9	-0.9
	-11.5	-13.2	-13.2	-13.2
Other Proposed Changes				
Allocation of funding for Public Health & Social Care	-3.7	-3.7	-3.7	-3.7
New Homes Bonus	-5.0	-4.2	-4.4	-4.4
New Homes Bonus - contribution to Economic Development Fund	5.0			
Collection Fund Surplus 2013/14	-3.0			
Set aside as one-off surplus towards meeting funding shortfall in future years	3.0	-3.0		
Other changes	-1.1	-1.2	-1.4	-1.5
	-4.8	-12.1	-9.5	-9.6
Impact of 2% Council Tax increase	-2.5	-4.9	-7.4	-9.8
Remaining "Budget Gap"	0.1	7.0	29.2	52.1

- 3.5 The Council has to continue to plan for a very different future, i.e. several years of strong financial constraint. It is important to recognise that, given the current ongoing period of austerity, the downside risks significantly exceed the opportunities for improvement and that the budget gap in future years could widen substantially.
- 3.6 In considering action required to address the medium term "budget gap", savings for 2014/15 were reported to the Executive as part of the 2013/14 budget process and these have been included in the financial forecast. However, further savings have been identified including the impact of the "baseline reviews".

Growth Pressures & Real Changes

- 3.7 A breakdown of the growth pressures included in the four year forecast for the Environment Portfolio is shown in the table below: -

Growth Pressures and Real Changes	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Absorption of inflation increases for PCNs	151	282	412	412
Recent DEFRA changes re street waste disposal	200	200	200	200
Landfill Tax increases	416	739	961	961
Increase in waste contract prices & disposal targets	-64	-169	-191	-191
Increase in refuse/recycling collection costs to reflect additional units	38	76	114	114
Total	741	1,128	1,496	1,496

Saving Options

3.8 A summary of the new savings options relating to the Environment Portfolio is shown in the table below. Appendix 1 includes the draft estimate summary sheet, budget variations, notes on the budget variations and the subjective analysis.

	2014/15 £'000
Saving Proposals agreed by Executive February 2013	
Reduction in parks running costs	6
Re-tender of the management of Norman Park Athletics Track	18
Savings to be considered by Executive	
Efficiency savings	195
	219

4. COMMENTS FROM THE EXECUTIVE DIRECTOR OF ENVIRONMENT AND COMMUNITY SERVICES

4.1 Expenditure pressures and service risks in relation to services in the Environment Portfolio, particularly from unpredictable demand such as waste, parking, highways and winter maintenance, are detailed in Appendix 2.

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