

Decision Maker: Environment PDS Committee

Date: 20th January 2015

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

Title: DRAFT 2015/16 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 2015/16 Budget which incorporates future cost pressures and initial draft budget saving options which were reported to Executive on 14 January 2015. 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 2015/16 Council Tax levels.
- 1.3 There are still outstanding issues and areas of uncertainty remaining. Any further updates will be included in the 2015/16 Council Tax report to the next meeting of the Executive.
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2. **RECOMMENDATIONS**

The PDS Committee are requested to:

- (a) Consider the update on the financial forecast for 2016/17 to 2018/19;
- (b) Consider the initial draft saving options proposed by the Executive for 2015/16.
- (c) Consider the initial draft 2015/16 Budget as a basis for setting the 2015/16 Budget;
- (d) Provide comments on the initial draft 2015/16 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: £39.6m
 5. Source of funding: Draft revenue budget for 2015/16
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Staff

1. Number of staff (current and additional): full details will be available with the Council's 2015/16 Financial Control Budget published in March 2015
 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): The 2015/16 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 January meeting of the Executive in the “Draft 2015/16 Budget and Update on Council’s Financial Strategy 2016/17 to 2018/19” report.
- 3.2 Economic growth has returned and the UK is now seeing a faster increase in economic activity than the rest of the Eurozone. National debt is expected to fall but tax revenues remain weak. The pace of spending reductions will be faster than previously expected to reflect the latest position indicated by the Autumn Statement with no real increase in public spending expected until at least 2020. With the ongoing protection of health, overseas aid and possibly education, the significant austerity programme for local government will continue beyond the current financial forecast period i.e. beyond 2018/19. The Budget Strategy has to be set within the context of a reducing resource base, with Government funding reductions continuing until beyond 2020 – the on-going 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 Government that services should be reformed and redesigned. There is also an on-going 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 2015/16 Budget but also consider the longer time frame where it is now clear that the continuation of the 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 years’ financial position which ultimately will help to protect key services.
- 3.3 The Council receives a low level of government funding 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

- 3.4 In considering the next four years there remain many variables which will impact on any final outcome. Some examples are highlighted below:
- (a) The ongoing scale of schools transferring to Academies will result in further significant reductions in the Government’s LACSEG funding (now known as Education Services Grant) although the pace of transfer has been less than previously estimated. The ongoing transfer is expected to lead to an ultimate loss of £6m per annum between 2013/14 and 2016/17;
 - (b) Previous market assumptions about interest rates increasing have not materialised which is impacting on Income from interest on balances. Low lending rates are expected to

continue over the next year due to, for example, the continuation of “funding for lending” , Bank of England is expected to keep the base rate low, and limiting the lending period to banks to reflect cautionary advice from credit rating agencies. The Treasury Management policy was reviewed and Members agreed alternative lending options including investment in a property fund, diversified growth fund and increasing of lending limits to part nationalised banks which has led to potential additional income of £1.15m per annum. There remains a need to ensure the strategy finds the right balance between Security, Liquidity and Yield – in that order. In a recent survey Bromley achieved the second highest returns against a benchmark group of 12 local authorities. An assumed return of 1% has been included in the financial forecast for bank lending. Some local authorities are achieving returns as low as 0.25% per annum. Alternative investments relating to acquisition of properties as part of a wider investment strategy is expected to deliver additional income of £1m in 2015/16 rising to £2m per annum from 2016/17 (in addition to income of £2m per annum achieved through other property acquisitions);

- (c) The outcome of the review of local government finance, implemented from 2013/14, has led to the localisation of business rates and a new council tax support scheme. These changes resulted in a significant risk transfer from central government to local government. The Council Tax Support scheme implemented from April 2013 had transitional arrangements with client liability of 8.5% which increases to 19% from 2014/15. The draft 2015/16 Budget reflects continuation of the 19% agreed by Full Council on 8th December 2014. The latest estimate from the Council’s business rate share is included in the draft 2015/16 Budget and will ultimately be partly dependent on the outcome of appeals on valuations, level of conversion of office accommodation to residential dwellings as well as general trends in business rate income. The Government previously managed the increasing costs of council tax benefit and the risks relating to variations in business rates. The changes on localisation of business rates could provide potential financial benefits in the medium to longer term when the key developments in Bromley are completed e.g. Bromley South development, Crystal Palace etc.;
- (d) Government grants are a key source of income and continue to reduce in future years to reflect planned reductions in public spending;
- (e) The coalition Government have introduced many changes in its first term including, for example, changes to health (including transfer of funding for public health from 2013/14 with the transfer of 0-5 year old services from 2015/16), welfare benefits, Care Act, first stage of integration of health and social care (using Better Care Fund) and localism (including new powers of competence for Councils to act in the interest of their communities);
- (f) 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. It is clear that a significant “budget gap” will continue beyond the four year financial forecast period.

Latest Financial Forecast

- 3.5 The report to the Executive in January 2015 identified a budget gap rising to over £53m per annum by 2018/19, which is broken down in the table below. The projections from 2016/17 have to be treated with some caution as the future funding will be dependent on the outcome of the next Comprehensive Spending Review expected in the autumn of 2015 following the General Election in May 2015. The different national political parties have different approaches in reducing the national debt and eliminating the annual national deficit although it is certain that there will be ongoing reductions in government funding.

Variations compared with 2014/15 budget	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m
Cost Pressures				
Inflation	4.1	8.6	13.2	17.9
Grant loss	11.0	22.1	37.1	44.1
Real changes (Appendix 5, Executive Report)	6.4	11.9	14.6	17.8
	21.5	42.6	64.9	79.8
Income/Savings				
Saving proposals (Appendix 6, Executive Report)	-8.8	-11.7	-11.7	-11.7
Funding from Better Care Fund towards protection of social care	-3.3	-3.3	-3.3	-3.3
Impact of revised Treasury Management Strategy	-1.1	-1.1	-1.1	-1.1
Increase in property numbers (council tax base)	-0.9	-0.9	-0.9	-0.9
	-14.1	-17.0	-17.0	-17.0
Other Proposed Changes				
New Homes Bonus	-4.4	-4.7	-4.7	-4.7
New Homes Bonus - contribution to Investment Fund	4.4	4.7	4.7	4.7
Collection Fund Surplus 2012/13 set aside as one off support towards meeting funding shortfall in 2015/16	-3.0	0.0	0.0	0.0
Collection Fund Surplus 2013/14	-2.3	0.0	0.0	0.0
Reduction in business rate share	0.5	0.5	0.5	0.5
	-4.8	0.5	0.5	0.5
Impact of 2.0% Council Tax increase	-2.5	-5.0	-7.6	-10.0
Remaining "Budget Gap"	0.1	21.1	40.8	53.3

- 3.6 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.
- 3.7 In considering action required to address the medium term "budget gap", savings for 2015/16 and 2016/17 have been identified including the impact of the "baseline reviews".

Growth Pressures & Real Changes

- 3.8 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	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000
Absorption of inflation increases for PCNs	103	208	317	427
Changes in parking CCTV enforcement (central contingency)	1,000	1,000	1,000	1,000
Increase in waste disposal contract price & disposal targets	54	54	54	54
Increase in refuse/recycling disposal costs to reflect tonnage from additional units	37	74	111	148
Increase in refuse/recycling collection costs to reflect additional units	37	114	171	228
New growth for waste for loss of paper income & increase in general waste tonnage (central contingency)	743	1,093	1,116	1,139
Total	1,974	2,543	2,769	2,996

Saving Options

- 3.9 A summary of the new savings options relating to the Environment Portfolio is shown by service area in the table below, with more details shown in Appendix 1 of this report. Appendix 2 includes the draft estimate summary sheet, budget variations, notes on the budget variations and the subjective analysis.

	2015/16	2016/17
	£'000	£'000
Essential car user allowances	74	74
Organisational efficiencies & management costs restructure	116	116
Street Scene and Green Space Divisional restructure	182	530
Area Management & Street Cleansing	162	229
Parks and Green Space	80	80
Waste Services	461	616
Parking	390	230
Network Management	60	60
Traffic and Road Safety	20	20
	1,545	1,955

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 3.

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