

Decision Maker: CARE SERVICES POLICY DEVELOPMENT AND SCRUTINY COMMITTEE

Date: 21st January 2015

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

Title: DRAFT 2015/16 BUDGET

Contact Officer: David Bradshaw, Head of Education, Care and Health Services Finance
Tel: 020 8313-4807 E-mail: david.bradshaw@bromley.gov.uk

Chief Officer: Terry Parkin, Executive Director of Education, Care and Health 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 are being 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.
-

2. **RECOMMENDATION(S)**

The Care Services 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.
-

Financial

1. Cost of proposal: N/A
 2. Ongoing costs: Recurring cost.
 3. Budget head/performance centre: Care Services Portfolio Budgets
 4. Total current budget for this head: £116,209k
 5. Source of funding: Draft revenue budget for 2015/16
-

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
-

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.
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected):
 2. 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.
-

Ward Councillor Views

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

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

- 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. 2016/17 to 2018/19.
- 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.

4. Changes that could impact on longer term financial projections

- 4.1 In considering the next four years there remains 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.

5. Latest Financial Forecast

- 5.1 The report to 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 budget gap from 2016/17 rises steeply as the expected loss in Government funding is expected to increase sharply during that period.

Variations Compared with 2014/15 Budget

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Cost Pressures				
Inflation	4.1	8.6	13.2	17.9
Grant Loss	11.0	22.1	37.1	44.1
Real Changes (see Appendix 5, Executive report)	6.4	11.9	14.6	17.8
Total Additional Costs	21.5	42.6	64.9	79.8
Income/ savings				
Saving proposals (detailed in 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
Total income/ savings	-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% increase in Council tax	-2.5	-5.0	-7.6	-10.0
Remaining “Budget Gap”	0.1	21.1	40.8	53.3

The above table shows, for illustrative purposes the impact of a council tax increase of 2% in 2015/16. Each 1% council tax increase generates on-going annual income of £1.26m.

- 5.2 The Council has to continue to plan for a very different future, i.e. several years of strong financial restraint. 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.

6. Care Services Portfolio Growth Pressures & Real Changes

- 6.1 No additional growth pressures have added to the initial budget for the Care Services Portfolio. However there has been additional allocation of funding set aside in contingency for the following:-

CONTINGENCY SUMS

DESCRIPTION

	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Increase in cost of homelessness/impact of welfare reforms	1,100	2,100	3,100	4,300
Deprivation of Liberty	628	628	628	628
Net impact of Social care overspend	3,022	3,022	3,022	3,022
Net impact of Care Act	278	379	43	266
	<u>5,028</u>	<u>6,129</u>	<u>6,707</u>	<u>8,216</u>

- 6.2 Subject to the finalisation of the 2015/16 budget some of these sums may need to be requested to be drawn down and if this is the case will need to be approved by the Executive.

7. Care Services Portfolio Saving Options

- 7.1 A summary of the new savings options relating to the Care Services Portfolio is shown in the table below with more detail included in Appendix 1. Appendix 2 includes the draft estimate summary sheet, budget variations, notes on the budget variations and the subjective analysis.

	2015/16	2016/17	FULL YEAR
	£'000	£'000	£'000
Essential car user allowances	151	151	151
Childrens Social Care	419	419	419
Adult Social Care	1,265	1,265	1,265
Commissioning	415	415	415
Strategic & Business Support	124	124	124
Housing	51	51	51
	<u>2,425</u>	<u>2,425</u>	<u>2,425</u>

- 7.2 Further details of the savings will be circulated prior to the meeting following the Executive meeting on the 14th January 2015.

8. COMMENTS FROM THE EXECUTIVE DIRECTOR FOR EDUCATION, CARE AND HEALTH SERVICES

- 8.1 Expenditure pressures and service risks in relation to services in the Care Services Portfolio are as follows:-
- 8.2 Budgets within Care Services are closely linked and so many risks are held in common. Evidence shows that clients presenting to adult social care are increasingly complex, requiring more sophisticated packages of care, including Deprivation of Liberty orders (DoLs). The Supreme Court judgment in the Spring relating to who qualifies for a DoL is placing significant pressures on Local Authorities. At the same time, we see demographic pressures pushing the average age of our population upwards. However, many residents are living longer, healthier lives which is to be celebrated, as is the wider council policy to help maintain residents in their own homes for as long as possible.
- 8.3 The implementation of the Care Act begins on 1st April 2015. This places very significant new responsibilities on local authorities with regard to both those who may qualify for services but

also for those who care for them. The modelling of these risks has been subject to considerable scrutiny, but we will not know until implementation exactly what new pressures we will see. For example, we anticipate more carers coming forward for assessment, and, with the capping of care costs, more self funders, rightly keen to ensure their personal spend is fully captured. However, with the proposed reductions in access to some respite and holiday activities, we will also need to ensure we work closely with both carers and the cared-for to ensure we continue to help manage personal pressures. We are also able to reduce the number of extra care housing units because our community's needs become clearer.

- 8.4 We know that our partners who provide clients with care whether in residential homes or domestic, are also under very significant pressures. Containing our supplier costs will remain challenging in the coming year, and it is the case that we are very dependent on our commissioning team to manage pressures in a number of areas. These seem particularly acute in the complexities of children transitioning from children's to adults' services. A general reduction in targeted provision means we will also be ending funding to many single interest groups where individual needs will need to be picked-up through our generic programmes.
- 8.5 Costs can be best contained by improving the early advice help and guidance we give residents when they contact us, and we will bring an increasing focus to our first point of contact. This will allow us to reduce staffing in a range of back office functions but also to focus on ensuring clients are given appropriate access to universal credit and other benefits. Ever closer links with health will also improve the efficiency of the spend of the public purse, but with over £21m now held in common across health and social care, we are very dependent on health partners delivering on their responsibilities, for us to deliver ours.
- 8.6 We will see very significant changes to the universal offer in children's services with the redesign of our youth service to give a much greater focus on statutory provision. The potential loss of our universal youth service, a significant source of both referrals and early intervention activities, means that we need to rely heavily on partners to continue to signpost those most at risk to our statutory services, including into the CAF process.
- 8.7 Housing costs continue to escalate for those qualifying for temporary accommodation and we will observe this carefully, monitoring the control mechanisms we have put in place, However, this area has provided very significant pressures in the preceding years and Members will need to be aware of the particular risks here until the welfare reforms bring down costs to local authorities as well as to central government.
- 8.8 The Bromley Children's Project is playing an increasingly important role in diverting children and families from our formal services and we will need to ensure that as we look for more commercial opportunities from our children's centres we do not lose sight of their core purpose.

9. POLICY IMPLICATIONS

- 9.1 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

9.2 “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”.

10. FINANCIAL IMPLICATIONS

10.1 The financial implications are contained within the overall report.

11. LEGAL IMPLICATIONS

11.1 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.

12. PERSONNEL IMPLICATIONS

12.1 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