

Decision Maker: CARE SERVICES POLICY DEVELOPMENT AND SCRUTINY COMMITTEE

Date: 12th January 2016

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

Title: DRAFT 2016/17 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: Chief Executive

Ward: Boroughwide

1. Reason for report

- 1.1 The prime purpose of this report is to consider the Portfolio Holder's Draft 2016/17 Budget which incorporates future cost pressures and initial draft budget saving options which are being reported to Executive on 13th January 2016. 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 2016/17 Council Tax levels.
 - 1.3 There are still outstanding issues and areas of uncertainty remaining. Any further updates will be included in the 2016/17 Council Tax report to the next meeting of the Executive.
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2. **RECOMMENDATION(S)**

2.1 The Care Services PDS Committee is requested to:

- (a) Consider the update on the financial forecast for 2017/18 to 2019/20;
- (b) Consider the initial draft saving options proposed by the Executive for 2016/17 and 2017/18.
- (c) Consider the initial draft 2016/17 Budget as a basis for setting the 2016/17 Budget;
- (d) Provide comments on the initial draft 2016/17 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: Recurring cost.
 3. Budget head/performance centre: Care Services Portfolio Budgets
 4. Total current budget for this head: £103,183k
 5. Source of funding: Draft revenue budget for 2016/17
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Staff

1. Number of staff (current and additional): full details will be available with the Council's 2016/17 Financial Control Budget published in March 2016
 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 2016/17 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. 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 and includes the Government's provisional four year funding allocations. At the time of writing this report, further details on funding is awaited and it is important to note that some caution is required in considering any projections for 2017/18 to 2019/20.
- 3.2 The overall national debt stands at £1.6 trillion. The 2015 Spending Review and Autumn Statement identified that public sector net borrowing is expected to be £73.5bn this year which is planned to move to a surplus of £10.1bn from 2019/20. There remains positive news on the economy and since 2010, no G7 economy has growth faster than Britain. However, the fiscal squeeze will continue and with ongoing protection of health, overseas aid, education and recently police and other security services, the disproportionate cuts in direct funding to local government will continue over the four year spending review period. The most significant issue that will impact on local government funding from central government are the plans relating to DCLG Resource Departmental Expenditure Limits (RDEL). The reductions compared with the previous year are -16.5% in 2016/17, -22.9% in 2017/18, -17.6% in 2018/19, -11.5% in 2019/20. This results in a real reduction including the impact of inflation of 56%. This translates to a reduction in the Council's Settlement Funding Assessment of 48.5% by 2019/20 compared with the England average of 31.8%. In real terms the reduction equates to 52.2%.
- 3.3 Although there are significant funding cuts facing local government, the Chancellor repeated the aims of devolution, as part of the 2015 Spending Review and Autumn Statement, which includes transforming 'local government, enabling it to be self-sufficient by the end of Parliament'. The Government views the new flexibilities such as the future growth forecasts from business rates, to be fully devolved to local government by 2019/20, scope to raise a 2% rise in council tax (adult social care precept) and the ongoing ability to increase council tax as methods which can significantly mitigate against the impact of grant reductions.
- 3.4 The Budget Strategy has to be set within the context of a reducing resource base, with Government funding reductions continuing until 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, with austerity continuing given the level of public sector debt, and the high expectation from Government that services should be reformed and redesigned with devolution contributing to the transformation of local government. There is also an on-going need to consider "front loading" savings to ensure difficult decisions are taken early in the budgetary cycle, to provide some investment in specific priorities, to fund transformation and to support invest to save opportunities which provide a more sustainable financial position in the longer term. Any decisions will need to consider the finalisation of the 2016/17 Budget as well as the longer time frame where it is now clear that the continuation of the period of austerity up to 2020 remains.
- 3.5 Bromley has the lowest settlement funding per head of population in the whole of London. Despite this, Bromley has retained the lowest council tax in outer London (other low grant funded authorities tend to have higher council tax levels). This has been achieved by having the lowest cost per head of population in outer London. Despite being a low cost authority, Bromley has achieved general savings of over £60m since 2011/12 but it becomes more challenging to achieve further savings with a low cost base.
- 3.6 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 The 2015/16 Council Tax report reported to Executive in February 2015 identified a significant “budget gap” over the four year financial planning period. The forecast was updated to inform the public meetings held in November/December 2015. Some key changes are summarised below:
- 4.2 Following a newly elected national government, the Chancellor's Summer Budget 2015 introduced a new national Living Wage with significant cost implications to the Council over the next few years.
- 4.3 A significant service pressure area impacting from 2015/16 relates to welfare reform and homelessness. The Council's Central Contingency Sum has been reviewed to reflect the escalating cost pressures arising from the welfare reform changes announced in the Chancellor's Summer Budget and in the Spending Review and Autumn Statement 2015.
- 4.4 The Government announced in-year funding reductions (2015/16) for Public Health services and Adult Education equating to £919k and £30k respectively. The Draft 2016/17 Budget assumes the full year impact of the transfer of 0-5 year old services (health visitors etc.) from NHS England (a sum of £1.9m was assumed for 2015/16 with full year costs of £3.8m per annum). Ongoing annual funding reductions in Public Health were announced in the Spending Review and Autumn Statement 2015 with estimated total funding reductions of £2.461m per annum by 2019/20. The final grant details are awaited including the outcome of a review of the grant formula for Public Health.
- 4.5 The Government transferred funding for the Independent Living Fund, which contributes towards 42 clients totalling £526k in 2015/16 (July 2015) increasing to £701k in 2016/17 (full year). The fund was managed by the Department of Work and Pensions but on 30th June, the fund was closed and the responsibility devolved to local government. Following the transfer of funding, future allocations to support clients will be given on a case by case basis and the draft 2016/17 Budget assumes that the impact will be cost neutral. The grant funding for 2016/17 is still awaited.
- 4.6 The most recent financial monitoring position was reported to Executive on 2nd December 2015. The full year impact of savings in social care, changes in grant funding for Adult Education and the impact of in-year Public Health funding reductions, and other variations, including, for example, the future containment of costs within Portfolio Budgets have been reflected in the draft 2016/17 Budget. Directors continue to identify options to manage these other cost pressures.
- 4.7 The Care Act received royal assent in May 2014. Its provisions commence on the 1st April 2015 and the capping of care costs was due to be implemented from 1st April 2016. A report to the Executive in November 2013 titled “Adult Social Care – Impact of the Care Bill and Future NHS Funding” and a further report to Care Services PDS in October 2014 titled “Care Act 2014 Impact” provided details of the potential changes to adult social care proposed in the Care Act. The Government announced, as part of the Spending Review and Autumn Statement 2015, that the “capping of care costs” due to be implemented in 2016/17 will now be delayed until 2020/21.
- 4.8 Executive approved the acquisition of residential properties to provide accommodation for homeless families as well as the long term “gifting” to the pension fund of the significant

assets, subject to robust legal safeguards being in place. Details were reported to the meeting on 2nd December 2015 and the savings have been reflected in the Draft 2016/17 Budget and the future years financial forecast.

- 4.9 The Council's four year funding settlement, based on information to date, will result in a net loss of grant funding, including Public Health funding, of £14.6m per annum in 2016/17 rising to £32.4m per annum by 2019/20. This includes an estimated loss of funding of £0.5m per annum for various grant allocations not yet announced and an estimate of the impact of Public Health funding reductions.
- 4.10 The Government has announced additional funding for the Better Care Fund (currently combined funding with Bromley CCG of £20.8m) and the financial forecast assumes that these monies may be required to meet future new burdens on social care at this stage. The additional funding which is back-loaded with lower funding available from 2017/18 increasing to an estimated £4.5m per annum by 2019/20. This position will be reviewed prior to finalising the 2017/18 Budget.
- 4.11 The Spending Review and Autumn Statement 2015 included reference to Councils being allowed to have a council tax precept of up to 2% per annum to specifically fund adult social care (a 2% increase in council tax equates to £2.6m additional income per annum). Councils are able to levy the precept on top of the existing freedom to raise council tax by up to 2% without holding a referendum. Therefore Council could potentially have a council tax increase of just below 4% without the need for a council tax referendum. The Government introduced this change in recognition of the cost pressures facing social care authorities. The Government recognise that the precept can also include, for example, the additional cost of the new Living Wage. A number of Councils have already indicated that they intend to increase their council tax bills by 3.99% in 2016/17 and future years to reflect this change. Members will be requested to consider applying the precept as part of the 2016/17 Council Tax report.
- 4.12 The additional funding for the Better Care Fund and the higher proportion of funding cuts in core grant to the Council now take into account the amount that can be raised locally through council tax. Therefore, there is an inherent assumption that local authorities will be increasing council tax to mitigate against the loss of grant funding and towards the cost of social care. For Bromley, this change does not take into account any need to address low funding levels for the Council raised previously with the Government. Therefore the starting point relating to funding levels remains unchanged, despite the Council's concerns. Councils can still choose locally the level of council tax increase required, subject to referendum options. There is no council tax freeze grant available in 2016/17. In calculating the Council's spending power the Government has assumed the social care authorities will have an average council tax increase applying both the social care precept and general council tax increases every year. For financial planning purposes, the financial forecast assumes a council tax increase of 3.99% per annum over the next four years to compensate for the higher proportion of funding reductions, to reduce the level of social care savings and provide funding to meet social care costs, demographic cost pressures and to meet the ongoing "budget gap".
- 4.13 Details of various grant allocations for 2016/17 are still awaited at the time of writing this report. These include for example, Better Care Fund, Independent Living Fund, whether any top-slicing to the GLA of new homes bonus is still required (although unlikely) and various other grants.
- 4.14 Given the scale of savings identified and any inherent risks, the need for longer term financial planning, the significant changes that may follow with a new Government relating to new burdens (there were many changes introduced by the previous coalition Government that resulted in net additional costs for the Council), effect of ongoing population increases and the potential impact of other public agencies identifying savings which impact on the Council's costs, a prudent approach has been adopted in considering the Central Contingency Sum

required to mitigate against these risks. If the monies are not required during the year the policy of using these resources, in general, for investment to generate income/savings and provide a more sustainable financial position should continue. To illustrate the benefit of the investment approach the Council has budgeted income totalling £12.9m from a combination of treasury management income and rents from investment properties. Without this income, equivalent service reductions may be required. Investment in economic growth (Growth Fund) will also be key to generate additional business rate income.

- 4.15 After allowing for the saving proposals in this report, there remains a significant budget gap in future years that will need to be addressed.

5. LATEST FINANCIAL FORECAST

- 5.1 The report to Executive in January 2016 identified a budget gap rising to over £26m per annum by 2019/20 which is broken down in the table below. The budget gap from 2017/18 rises steeply as the expected loss in Government funding is expected to increase sharply during that period.

Variations Compared with 2015/16 Budget

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Cost Pressures				
Inflation	2.6	7.3	11.9	16.6
Grant Loss	14.6	24.7	30.6	36.4
Impact of Chancellors Summer Budget on future costs e.g. further changes on welfare reform, new Living Wage etc.	4.3	8.0	10.8	13.5
Real Changes	0.9	2.6	5.0	6.2
Total Additional Costs	22.4	42.6	58.3	72.7
Income/ savings				
Saving proposals	-15.1	-18.2	-19.1	-19.2
Full year effect of savings agreed as part of 2015/16 Budget	-2.9	-2.9	-2.9	-2.9
Acquisition of residential properties to accommodate homeless families and "gifting" of scheme to pension fund	-0.5	-3.2	-4.1	-4.6
Reduction in Council's Central Contingency Sum	-1.8	-1.8	-1.8	-1.8
Impact of revised Treasury Management Strategy	-0.6	-0.6	-0.6	-0.6
Addt. Income from Business Rate Share	-0.2	-0.2	-0.2	-0.2
Increase in property numbers (council tax base)	-0.7	-0.7	-0.7	-0.7
Total income/ savings	-21.8	-27.6	-29.4	-30.0
Other Proposed Changes				
New Homes Bonus	-7.3	-7.3	-3.3	-2.5
New Homes Bonus – contribution to Investment Fund	7.3	7.3	3.3	2.5
Collection Fund Surplus (2014/15)	-4.9	0.0	0.0	0.0
Collection fund surplus set aside as one off support towards meeting funding shortfall in 2018/19	4.9	0.0	-4.9	0.0
Fall out of 2013/14 collection fund surplus to support 2015/16 Budget	5.3	5.3	5.3	5.3
	5.3	5.3	0.4	5.3
Impact of 3.99% increase in Council tax (Including adult social care precept)	-5.2	-10.5	-15.9	-21.3
Remaining "Budget Gap"	0.7	9.8	13.4	26.7

The above table shows, for illustrative purposes the impact of a council tax increase of 3.99% in 2016/17 (including adult social care precept). Each 1% council tax increase generates on-going annual income of £1.3m.

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 remain significant 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 homelessness of £300k in 2016/17 rising to £2,400k in 2019/20. Subject to the finalisation of the 2016/17 budget 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.

	2016/17	2017/18	FULL YEAR
	£'000	£'000	£'000
Adult Social Care, Commissioning	7,650	8,710	8,810
Childrens Social Care	1,524	1,524	1,524
Public Health	2,077	3,181	3,181
	11,251	13,415	13,515

8. COMMENTS FROM THE CARE AND HEALTH SERVICES DEPARTMENT

Risk Summary – Care and Health

Care Services

- 8.1 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). 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.
- 8.2 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.
- 8.3 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 we

are very dependent on health partners delivering on their responsibilities, for us to deliver ours.

- 8.4 We have seen 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.
- 8.5 There will be a further work to align the Public Health services, particularly Health Visiting service, with early intervention service and thus manage social and health risk in a more efficient way.
- 8.6 The introduction of the National Living Wage from April 2016 could have a significant impact on the care sector where traditionally care workers are remunerated at the lower end of average income levels. In Bromley around 95% of adult social care front line service delivery and spend is in the independent sector. The Council's social care contracts require providers to pay at least the National Minimum Wage, currently £6.70 per hour. It is not known how many of them are already paying at the higher National Living Wage (NLW) rate which will take effect for over 25s from 1st April 2016 (£7.20 per hour rising to £9 per hour by 2020). Employers are likely to benefit from changes to corporation tax and National Insurance which should mitigate some of the effect for those who will need to increase pay rates. The Council will consider the contractual position on an individual provider basis and would expect providers to be able to demonstrate the specific impact of the NLW on their costs.
- 8.7 Nationally the care worker sector is experiencing recruitment problems partly as a result of pay levels but also caused by the sector's poor reputation and perceived lack of opportunity for employees. Recruitment issues for the sector locally have meant that domiciliary care providers in particular are not always able to respond in a timely way to requests for support for people living in the community which can have an impact on ensuring timely hospital discharges and avoiding unnecessary hospital admissions.
- 8.8 The Council is working closely with the NHS to further integration of health and social care. One of the priorities for the NHS is to deliver 7 day working across the health sector in hospitals and the community. This means that the Council will also have to consider how to respond to pressure for social care services to be accessible 7 days a week both in terms of its own workforce and contracts with external providers. This priority is reflected in the outcomes for the Better Care Fund in order to ensure that the resulting cost pressures in social care are recognised and supported within the health and social care economy.
- 8.9 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 which may be further exacerbated as the next tranche of welfare from is rolled out over the next 18 months.

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” objective of being an Excellent Council refers to the Council’s intention to provide efficient services and to have a financial strategy that focuses on stewardship and sustainability. Delivering Value for Money is one of the Corporate Operating Principles supporting Building a Better Bromley.

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 Staff, departmental and 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