Report No.
FSD17016

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker: **Executive**

Date: **8th February 2017**

Decision Type: Non-Urgent Executive Key

TITLE: **2017/18 Council Tax**

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Director: Director of Finance

Ward: Borough wide

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1. REASON FOR REPORT

1.1 This report identifies the final issues affecting the 2017/18 revenue budget and seeks recommendations to the Council of the level of the Bromley element of the 2017/18 Council Tax and Adult Social Care precept. Confirmation of the final GLA precept will be reported to the Council meeting on 20th February 2017. The report also seeks final approval of the "schools budget". The approach reflected in this report is for the Council to not only achieve a legal and financially balanced budget in 2017/18 but to have measures in place to deal with the medium term financial position (2018/19 to 2020/21).

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2. RECOMMENDATIONS

2.1 The Executive is requested to recommend to Council that it:

(a) Approves the schools budget of £80.5m which matches the estimated level of Dedicated Schools Grant (DSG), after academy recoupment;

(b) Approves the draft revenue budgets (as in Appendix 2) for 2017/18;

(c) Agrees that Chief Officers identify alternative savings within their departmental budgets where it is not possible to realise any savings reported to the previous meeting of the Executive held on 11th January 2017;

(d) Approves a contingency sum of £19.8m (see section 5);

(e) Approves the following provisions for levies for inclusion in the budget for 2017/18:

	£'000
Local Pension Partnership *	**487**
London Boroughs Grant Committee	**281**
Environment Agency (Flood defence etc.) *	**250**
Lee Valley Regional Park *	**380**
Total	**1,398**

*** Provisional estimate at this stage**

(f) Notes the latest position on the GLA precept, which will be finalised in the overall Council Tax figure to be reported to full Council (see section 11);

(g) Considers the "Bromley element" of the Council Tax for 2017/18 to be recommended to the Council, including a general increase and the Adult Social Care precept, having regard to possible "referendum" issues (see section 15);

(h) Approves the approach to reserves outlined by the Director of Finance (see Appendix 4);

(i) Notes that any decision on final council tax level will also require additional "technical" recommendations, to meet statutory requirements, which will be completed once the final outcome of levies are known at the full Council meeting *(*see 15.9);

(j) Agrees that the Director of Finance be authorised to report any further changes directly to Council on 20th February 2017.

Corporate Policy

Policy Status: Existing Policy

BBB Priority: Excellent Council

Financial

1. Cost of proposal: N/A

2. Ongoing Costs: Recurring costs – impact in future years detailed in Appendix 1

3. Budget head/performance centre: Council wide

4. Total budget for this head £143m Draft 2017/18 Budget (excluding GLA precept)

5. Source of funding: See Appendix 2 for overall funding of Council's budget

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Staff

1. Number of staff (current and additional): total employees – full details will be available with the Council's 2017/18 Financial Control Budget to be published in March 2017

2. If from existing staff resources, number of staff hours – N/A

Legal

1. Statutory requirement: The statutory duties relating to financial reporting are covered within the Local Government Act 1972; the Local Government Finance Act 1998; the Local Government Act 2000; the Local Government Act 2002 and the Accounts and Audit Regulations 2015 .

2. Call-in is applicable

Customer Impact

Estimated number of users/beneficiaries (current and projected) - the 2017/18 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 Councillors Views

1. Have ward councillors been asked for comments? N/A

2. Summary of Ward Councillor comments: Council wide

3. PREVIOUS REPORTING TO MEMBERS

3.1 There was a presentation for the Members Finance Seminar on 19th July 2016 which provided some detailed financial context. There has been separate seminars on Pension Matters and Welfare Reform on 11th January 2016 and 7th April 2016 respectively. The presentations are available on "One Bromley".

3.2 The "Draft 2017/18 Budget and Update on the Council's Financial Strategy 2018/19 to 2020/21" was reported to the Executive on 11th January 2017. Key matters reflected in the report included:

(Please note appendices and sections shown below refer to the report to the meeting of the Executive on 11th January 2017)

(a) Approach to Budgeting, Financial Context and Economic Situation which can impact on Public Finances (Section 3 and Appendix 1);
(b) Council Tax Levels, Government Funding and Spend Levels (Appendix 2);
(c) Spending Review and Autumn Statement 2016 and Provisional 2017/18 Local Government Financial Settlement (Appendix 3);
(d) Changes since the 2016/17 Budget that impact on the Financial Forecast (Section 4);
(e) Latest Financial Forecast including real changes (Section 6 and Appendices 4-5);
(f) Detailed Draft 2017/18 Budget (Section 7 and Appendix 7);
(g) Options being undertaken with a "One Council" approach (Section 8);
(h) Identifying further savings (Section 9);
(i) Future Local Authority Landscape (Section 10);
(j) Issues for Future Years (Section 15);
(k) Consultation (Section 18 and Appendix 8);
(l) Risk Areas within each Portfolio (Section 19 and Appendix 9)

All of the above should be considered with this report as part of finalising the 2017/18 Budget and council tax levels.

4. 2017/18 DRAFT BUDGET AND CHANGES SINCE LAST MEETING OF THE EXECUTIVE

4.1 The last report to the Executive identified a significant "budget gap" over the four year financial planning period. The main updates are shown below:

(a) There continues to be upward pressure on inflation and the 2017/18 Draft Budget and financial forecast assumes increased costs of 2.7% per annum for 2017/18 and 2018/19 reducing to 2.5% per annum from 2019/20. The inflation mainly relates to contract price increases. The main measure used for contract price increases is RPIX. The Autumn Statement 2016 reported that inflation (RPI) is expected to be 3.2% in 2017, 3.5% in 2018, 3.2% in 2019 and 3.1% in 2020. Since the last meeting of the Executive the latest annual increase in RPIX (Dec.'16) is 2.7% which compares with 2.5% in the previous month. As reported previously, action will need to be taken by Chief Officers to fund increasing costs through alternative savings in the event that inflation exceeds the budget assumptions;

(b) There has been a reduction in funding from Government of the Education Services Grant. Latest estimates indicate a further potential loss of income of £300k per annum;

(c) Marcus Jones MP, Parliamentary Under Secretary of State (Minister for Local Government) recently announced additional national funding of £47.5m (£35.4m in 2017/18 and £12.1m in 2018/19) over the Spending Review Period towards funding the new burdens being introduced under the Homelessness Reduction Bill. If it becomes law, then Councils will be obliged to help all eligible people, whether they are single or family, for 56 days before they are threatened with homelessness. Those who are already homeless will get support for a further 56 days to help them secure accommodation. Other services will also be required including the provision of free information and advice services. It is too early to gauge the net financial impact on the Council at this stage. The situation will need to be closely monitored;

(d) Although the details of the Better Care Fund funding allocations are awaited additional funding of £322k has been identified, at this stage. This income has been reflected in the updated 2017/18 Budget;

(e) The Resources Portfolio Holder announced at the last meeting of the Executive that the Council is proposing a pay award of 1.2% for Council staff. For staff earning a full-time (FTE) salary of less than £18,000 an additional £300 per annum on the FTE salary is proposed. He also advised that there are proposed increases in the standby allowance. Further details are being reported to General Purposes and Licensing Committee on 6th February 2017. The financial impact of this proposal has been included in the Draft 2017/18 Budget;

(f) The outcome of the Council's pension fund actuarial valuation as at 31/3/16 is being reported to Pensions Investment Sub Committee on 31st January 2017 and General Purposes and Licensing Committee on 6th February 2017. Net revenue savings of £1.5m per annum have already been reflected in the Draft 2017/18 Budget. Consideration of the deficit repayment period will be made at that meeting and any update on variations to the Draft 2017/18 Budget will be provided to this meeting of the Executive. The triennial actuarial valuation will impact on the budget from 2017/18 to 2019/20 with a subsequent valuation impacting from 2020/21;

(g) The Provisional Local Government Financial Settlement 2017/18 was announced on 15th December 2016 and the final outcome following the consultation period is expected to be announced in early February. Details of various grant conditions as well as any changes in the Adult Social Care precept requirements are still awaited and a verbal update will be provided at the meeting.

4.2 A summary analysis of key variations in the Draft 2017/18 Budget, compared with the 2016/17 Budget, are shown in Appendix 1 and summarised below.

Variations Compared with 2016/17 Budget	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Cost Pressures				
Inflation	4.6	9.9	15.2	20.7
Grant Loss (net of Adult Social Care Support Grant)	8.8	18.4	24.7	29.4
Potential Impact of Chancellor's 2015 Summer Budget on Future Costs (eg. welfare reforms and new living wage)	0.7	4.5	7.7	8.5
Review of Children's Services following Ofsted Report	2.3	2.3	2.3	2.3
Children's Placements - full year effect of 2016/17 overspend	2.1	2.1	2.1	2.1
Review of Children's Placements	0.0	-2.1	-2.1	-2.1
Provision for Cost Pressures - Children's Social Care	0.0	2.1	2.1	2.1
Full Year Effect of Additional Costs re. Adult Social Care and Education SEN	2.2	2.2	2.2	2.2
Impact of Reduction in Bank Base Rate	0.6	0.6	0.6	0.6
Commissioning Programme (one-off funding)	0.5	0.0	0.0	0.0
Real Changes (see Appendix 5)	-0.1	1.3	1.3	2.1
Total Additional Costs	**21.7**	**41.3**	**56.1**	**67.9**
Income / Savings				
Full Year Effect of Savings Agreed as part of 2016/17 Budget	-3.3	-4.2	-4.3	-4.3
Impact of Highways Investment Report	-2.5	-2.5	-2.5	-2.5
Acquisition of Residential Properties to Accommodate Homeless and "Gifting" of Scheme to Pension Fund	-2.2	-3.7	-4.1	-4.1
Reduction in Council's Central Contingency Sum	-0.7	-2.4	-2.5	-2.5
Additional Income from Business Rate Share	-0.3	-0.6	-0.9	-1.2
Additional Income Opportunity (TFM Contract)	0.0	-0.5	-0.7	-0.9
Total Income / Savings	**-9.0**	**-13.9**	**-15.0**	**-15.5**
Other Proposed Changes				
New Homes Bonus - Support for Revenue Budget	-6.0	-3.2	-2.5	-1.0
New Homes Bonus - Reallocation	2.2	-2.2	0.0	0.0
Impact of Pension Fund Triennial Valuation (Provisional)	-1.5	-1.5	-1.5	-1.5
Collection Fund Surplus 2014/15 and 2015/16 (set aside to meet funding shortfall in future years)	0.0	-6.9	-4.4	0.0
Total Other Proposed Changes	**-5.3**	**-13.8**	**-8.4**	**-2.5**
Council Tax				
Increase in Council Tax Base to reflect additional properties and increased collection rates	-2.0	-2.7	-3.3	-4.0
Impact of 3.99% Increase in Council Tax (including Adult Social Care Precept)	-5.4	-10.9	-16.6	-22.3
Total Council Tax	**-7.4**	**-13.6**	**-19.9**	**-26.3**
Remaining "Budget Gap"	**0.0**	**0.0**	**12.8**	**23.6**

The above table shows, for illustrative purposes the impact of a council tax increase of 3.99% in 2017/18 (including adult social care precept). Each 1% council tax increase generates on-going annual income of £1.4m.

4.3 These variations are subject to any final decision on Council Tax levels. Appendix 2 derives an illustrative 'Bromley element' Council Tax of £1,114.11 (1.99% general increase plus 2% adult social care precept) and Appendix 3 includes the Draft 2017/18 Central Contingency Sum. Appendix 2 is based on draft portfolio budgets, the draft contingency provision and the latest assumptions for levies. This sum excludes the GLA precept.

4.4 The above table highlights that, although it has been possible to achieve a potential balanced budget for the next two years through a combination of front loading savings in previous years, proactively generating investment income and prudent financial management, there remains a "budget gap" of £12.8m in 2019/20 rising to £23.6m in 2020/21. The remaining budget gap highlights that the Council, on a roll forward basis, has a "structural deficit" as the ongoing budget has increasing costs relating to inflation and service pressures as well as the ongoing loss of Government grants. These changes are not being fully funded by a corresponding growth in income from council tax, Adult Social Care precept or other sources of income. The "budget gap" may increase or reduce as a result of a number of variables in future years. The projections in later years have to be treated with some caution.

4.5 The Council has to continue to plan for several years of strong financial restraint. The future year's financial projections shown in Appendix 1 includes the Government's provisional allocations of ongoing reductions in Government funding in 2018/19 and 2019/20 with further reductions assumed from 2020/21. Any projections over the next four years need to be treated with caution as there remains significant uncertainty relating to any future changes arising from new welfare reforms and future new burdens. The full Devolution of Business Rates by the end of 2019/20, or possibly delayed until 2020/21, will create new risks as well as opportunities for the Council. It is important to recognise that the downside risks remain as well as limited opportunities for improvement in the overall financial position in future years.

4.6 Further changes will be required, prior to the report to full Council on 20th February for the finalisation of the Council Tax, to reflect latest available information on levies, and the GLA precept.

4.7 The key net cost pressures consist of inflation (£4.6m), impact of grant reductions (£8.8m) and various growth pressures (£8.3m) totalling £21.7m in 2017/18. This sum increases to an estimated £67.9m per annum by 2020/21. If further growth pressure continues in these areas, as well as other areas, the future years "budget gap" could increase.

5. DRAFT 2017/18 CENTRAL CONTINGENCY SUM

5.1 Details of the 2017/18 Draft Contingency Sum of £19,776k have been included in Appendix 3. This sum allows for proper financial planning and ensures the council is prepared for changes in financial circumstances. It is important to recognise that this includes various significant costs not allocated to Portfolio budgets at this stage. Therefore, there may be further changes to the Central Contingency to reflect allocations to individual Portfolio Budgets which will be reflected in the 2017/18 Financial Control Budget. This will ensure that budget holders will have all their individual budgets updated early in the financial year. Such changes will not impact on the Council's overall 2017/18 Budget.

6. EARMARKED RESERVES

6.1 As reported to the Executive previously, the Council has reduced its level of general reserves (general fund reserves in 1997 were £131 million). Part of the reduction reflects the funding towards the Invest to Save Fund, Growth and Investment Fund. These funds will help support the achievement of sustainable savings/income to the Council. The Council will continue to seek opportunities to increase the Growth Fund and Investment Funds to support the purchase of investment properties (generating income) as well as meet future plans to invest in employment growth areas of Biggin Hill, Bromley Town Centre and the Cray Business Corridor.

6.2 Reserves are one off monies and are utilised to resource investment in schemes that will deliver long terms savings, support economic development, create employment opportunities and enable income opportunities as well as have sufficient resources to manage financial risks during this unprecedented period of austerity. It is not financially sustainable to use Council reserves as part of the revenue budget to fund ongoing service costs.

6.3 The position on reserves is reported to Executive as part of the final accounts report in June each year as well as the Council Tax report to Executive in February each year. Bromley's overall reserves are expected to remain below average for London and have to be considered in the context of an underlying "budget gap" of £23.6m per annum by 2020/21.

6.4 The Council had general reserves remaining of £20m as at 31/3/2016. A full breakdown of reserves including earmarked reserves is detailed in Appendix 4.

6.5 If the existing general reserves are released now to fund service initiatives, delay savings or reduce council tax there would be a resultant "opportunity cost" relating to a corresponding loss in interest earnings/investment opportunities and further acceleration of the anticipated exhaustion of reserves which is not recommended. Any increase in service levels or initial protection would only be very short term. Reserves can only be used as a one-off contribution to revenue spending and would not provide a sustainable solution to maintaining local government services.

7. 2016/17 FINANCIAL MONITORING

7.1 The most recent financial monitoring position was reported to Executive on 30th November 2016.

7.2 At its meeting on 14th September 2016, Executive considered the "Ofsted Inspection of Children's Services" report and approved additional revenue funding of £949k in 2016/17 with a full year effect of £1,471k for Phase One and Phase Two. The allocation of funding for Phase Three of £141k in 2016/17 and £795k in the full year was approved at Executive on 11th January 2017. Overall funding of £2,314k in 2017/18 and £2,266k in the full year have been included in the Draft 2017/18 Budget and the financial forecast. There are cost pressures relating to children's social care which were reported in the 'Budget Monitoring 2016/17' report to Executive on 30th November 2016 and the full year effect of £2,093k has been included in the Draft 2017/18 Budget. Action is being taken by the Deputy Chief Executive & Executive Director for Education, Care and Health Services to provide a fundamental review of the placements budget which could potentially provide a corresponding reduction of £2,093k by 2018/19. However, a prudent approach has been adopted and an equivalent

sum of £2,093k has been set aside as a financial risk reserve from 2018/19, at this stage.

7.3 In addition, there have been overspends identified in the last 2016/17 Budget Monitoring report to Executive on 30th November 2016 relating to adult social care and SEN transport. The full year effect of these items is currently estimated at £2,200k. In view of the need to address the cost pressures and the uncertainty on the final financial impact, a sum of £2,200k has been included in the Draft 2017/18 Central Contingency Sum at this stage. The Deputy Chief Executive & Executive Director for Education, Care and Health Services will be seeking to establish the extent of the ongoing cost pressures and any measures to mitigate against such cost. He will also be progressing with a strategic review of Special Educational Needs utilising the one off grant funding of £139,624 reported at the previous meeting of the Executive.

8. THE SCHOOLS BUDGET

8.1 Since 2003/04, the Council has received funding for the 'Schools Budget' element of Education services through a ring fenced grant, more recently through the Dedicated Schools Grant (DSG).

8.2 The Schools Budget includes the delegated budgets for individual maintained schools and also other pupil led services such as Special Educational Needs, pre-school provision and pupils excluded from schools. The ring fenced Dedicated Schools Grant (DSG) funds the Schools Budget so there is no funding required from the Revenue Support Grant or Council Tax.

8.3 The introduction of the National Funding Formula has been delayed until 2018/19. The second consultation on the make up of the formula is currently out to consultation and is due to be returned in March. Government will then finalise the proposals and mechanisms of the formula in due course. It is envisaged that the National Funding formula will lead to a more rigid system of 'block' funding meaning that the scope for transfer between the blocks (schools, early years, high needs, and central) will be extremely limited.

8.4 Funding for 2017/18 has followed a similar pattern to that of previous years, with one exception. Additional funding for Early years was granted due to changes in the formula that were advantageous to Bromley and the introduction of additional 15 hours of childcare being rolled out from September 2017 to eligible families. Schools funding per pupil has remained static although increases have been seen due to the increase in pupil numbers.

8.5 The ring fencing of this grant results in a continuation of minimal scope to redirect resources from the Schools Budget to other services.

8.6 The use of DSG was subject to consultation with the Schools Forum. At the time of writing this report, the Education Portfolio Holder will make a final decision following this consultation at the meeting of the Education Budget Sub Committee on the 31st January 2017.

8.7 In 2017/18 the Education Services Grant (ESG) statutory payment, worth in the region of £700k will be converted to DSG. Although the final outcome is not known, at this stage, latest estimates indicate that the Council will incur a further loss of funding of £300k per annum from Government which has been reflected in the 2017/18 Draft Budget. Details on the longer term impact are still awaited

8.8 Although it is difficult to accurately predict, the 2017/18 Draft Budget assumes ongoing conversion of remaining maintained schools to academies. The grant allocation is re-calculated on a quarterly basis, so the grant will reduce in-year as more schools convert to academies.

9. LEVIES

9.1 Miscellaneous levies must be charged to the General Fund and shown as part of Bromley's expenditure on the Council Tax bill. The levy figures in Appendix 2 are based on the latest information but many are still provisional. Any changes will be reported at the meeting of the Council on 20th February 2017 and will impact on the final council tax level. The London Boroughs Grants Committee is required to apportion its levy on a population basis but the other levying bodies must use the Council Tax base.

10. COLLECTION FUND

10.1 It is a statutory requirement to maintain a Collection Fund at arms length from the remainder of the Council's accounts.

10.2 The Council has a non-recurring collection fund surplus of £8.0m reflected in the '2015/16 Provisional Final Accounts' report to Executive on 15th June 2016. The surplus income is mainly due to good debt recovery levels despite the previous recessionary period, an increase in new properties in the borough and the successful impact of actions following the data matching exercise on single person discounts. The financial impact of the council tax support scheme was also lower than budgeted.
A sum of £1.6m will be allocated to the GLA and £6.4m to the Council. As part of medium term financial planning, the financial forecast assumes that the surplus will be used towards reducing the Council's "budget gap" in 2018/19 and 2019/20.

10.3 There have been no changes to the council tax base since the previous meeting of the Executive.

11. THE GREATER LONDON AUTHORITY PRECEPT

11.1 The GLA's 2017/18 Draft Budget has been issued for consultation and includes proposals for an increase of 1.5% in existing GLA precept levels for 2017/18. The final GLA precept for 2017/18 is expected to be announced after the Assembly has considered the Mayor's draft consolidated budget on 20th February 2017.

12. COUNCIL'S CAPITAL PROGRAMME, UTILISATION OF GENERAL RESERVES AND BUILDING MAINTENANCE

12.1 The latest estimated general fund (revenue) balance at 31st March 2017, as shown in the "Budget Monitoring 2016/17" report to the November 2016 meeting of Executive, is provided below:

	2016/17 Projected Outturn £Million
General Fund Balance as at 1st April 2016	20.0
Impact of net projected underspends reflected in the 2016/17 budget monitoring report	-3.7
Adjustment to Balances: Carry forwards (funded from underspends in 2015/16)	-1.7
Estimated General Fund Balance at 31st March 2017 (end of year)	14.6

12.2 Bromley's Capital programme is mainly funded by external government grants and contributions from TfL. There are, however, a number of schemes funded from capital receipts.

12.3 The "Capital Programme Monitoring 2011/12 and Annual Capital Review 2012 to 2016" report to the February 2012 meeting of the Executive identified the long term financial implications of the capital programme. The report identified that abandoning the previously agreed strategy (fund rolling programmes through capital and reinstating general fund contribution to support the revenue budget of £3.5m) would have resulted in the Council's entire general reserves being utilised in the medium term. This illustrates the benefits of the strategy that Members have adopted since 2006/07. However, given the ongoing financial constraints and limited opportunities to reduce costs in the medium term, it may be necessary to reconsider this approach. Executive considered the 'Highways Investment' report on 18th October 2016 and approved capital funding for investment in planned highway maintenance to be funded by capital receipts.

12.4 Alongside the introduction of the prudential code for capital spending, the Director of Finance is required to report to the council on the appropriateness of the level of reserves held by the council and the sustainability of any use of reserves to support the revenue budget. The detailed advice is contained in Appendix 4.

12.5 Details of the Council's Building Maintenance Programme and associated costs are awaited and will be subject to a separate report elsewhere on the agenda. The 2017/18 budget will need to be updated to reflect any required changes.

13. CONSULTATION

13.1 Executive, at its meeting on 11th January 2017, requested that the "Draft 2017/18 Budget and Update on Council's Financial Strategy 2018/19 to 2020/21" report proposals are considered by individual PDS Committees. PDS Committees comments relating to the report in January will be circulated separately. Such consideration will enable the Executive to take into account those views as part of agreeing its final recommendations to the Council meeting on 20th February 2017 where the 2017/18 Budget and Council Tax will be agreed.

13.2 Two separate resident association meetings were held on 21st November 2016 and 28th November 2016 and a wider public meeting on 24th November 2016 relating to "Your Voice in Your Borough" and "Council Budget 2017/18 and Beyond". There was a web survey seeking the public's views online (with a closing date extended to 4th December 2016). The outcome was reported to the previous meeting of the Executive.

13.3 A meeting has recently taken place with the Schools Forum to consider the Draft 2017/18 Budget. Head Teachers and Governors were consulted on the impact of removing funding from the Schools Block (therefore schools) and which sector it should come from. Following consultation, spending decisions will be taken by the Education Portfolio Holder on 31st January 2017.

13.4 Consultation papers have been sent to Bromley Business Focus, Federation of Small Businesses (Sevenoaks & Bromley Branch) and the 20 largest business ratepayers in the borough. At the time of writing this report no responses have been received.

14. POSITION BY DEPARTMENT – KEY ISSUES/RISKS

14.1 There remain risks arising from the future scale of budget savings required to address the budget gap as well as the cost pressures arising from new burdens, inflation and the impact of Government policy changes including welfare reforms and the new Living Wage. Action will need to be taken to contain, where possible these cost pressures, managing the implementation of savings or seeking alternative savings where required.

14.2 Details of the potential risks which will be faced in future years, as part of finalising the 2017/18 Budget, were reported to the previous meeting of the Executive. The level of balances held and provisions set aside in the central contingency provide significant safeguards against any adverse financial pressures.

15. COUNCIL TAX LEVEL 2017/18

15.1 The GLA's 2017/18 Draft Budget was issued for consultation on 16th December 2016 and includes proposals for an increase of 1.5% in existing GLA precept levels for 2017/18. The final GLA precept for 2017/18 is expected to be announced after the Assembly has considered the Mayor's draft consolidated budget on 20th February 2017.

15.2 The current overall Council Tax (Band D equivalent) includes the "Bromley element" relating to the cost of the council's services and various levies of £1,114.11 in 2017/18 and a further sum of £280.02 for the GLA precept (providing a total Band D equivalent Council Tax of £1,394.13).

15.3 For 2017/18 every £1m change in income or expenditure causes a 0.74% variation in the "Bromley element" of the Council Tax. Each 1% council tax increase generates ongoing annual income of £1.4m.

15.4 As part of the Localism Act, any council tax increase of 2% or above in 2017/18 will trigger an automatic referendum of all registered electors in the borough. If the registered electors do not, by a majority, support the increase then the Council would be required to meet the cost of rebilling of approximately £100k. The one off cost of a referendum is estimated to be £400k.

15.5 The Adult Social Care precept on council tax was originally set at 2% per annum for 2016/17 to 2019/20. The terms of the precept have changed and local authorities will now be able to increase the precept by up to 3% per annum in 2017/18 and 2018/19. However, the total allowable increase will be 6% over the three year period 2017/18 to 2019/20. Councils are able to levy the adult social care precept on top of the existing freedom to raise council tax by up to 2% without holding a referendum.

15.6 If the Council chose to agree a Bromley element 3.99% council tax increase, including the 2% social care precept, and the GLA precept was increased by 1.5% there would be an overall combined council tax increase of around 3.5%. Utilising a 3% social care precept would increase the overall combined council tax by 4.3%.

15.7 The table below identifies the changes required to the draft 2017/18 Budget to achieve different levels of increases in the Bromley element of the council tax. An increase of 3.99%, including 2% for the Adult Social Care precept, has been assumed in the 2017/18 Draft Budget at this stage.

Increases in Council Tax Levels

Bromley Element % Increase in 2017/18 including adult social care precept	Additional Income 2017/18 £'m
Freeze	NIL
1.0	1.4
2.0	2.7
3.0	4.1
3.99*	5.4
5.0 ^	6.8

*Assumed in draft 2017/18 Budget. Adult social care precept of 2% equates to additional income of £2.7m per annum. ^ Would be subject to a council tax referendum

15.8 Any decision on council tax levels will need to be based on a medium term view and therefore not only consider the financial impact on 2017/18 but also the longer term impact over the four year forecast period.

15.9 The Council Tax Referendum Principles are expected to be confirmed, as part of the final Local Government Finance Settlement 2017/18, by early February and may change the existing calculation. Any final recommendations on council tax levels will need to take into account any changes to statutory requirements.

15.10 Bromley has the second lowest settlement funding per head of population in the whole of London. Despite this in 2016/17, Bromley had the second lowest council tax in outer London (other low grant funded authorities tend to have higher council tax levels). This has been achieved by having one of the lowest costs per head of population in outer London. Despite being a low cost authority, Bromley has achieved general savings of over £80m since 2011/12 but it becomes more challenging to achieve further savings with a low cost base. Further details were reported to the previous meeting of the Executive.

15.11 As part of the Local Government Finance Settlement 2017/18, the Government provided indicative three year funding which assumed that the Council would raise funding from council tax increases of around 2% and a further 2% increase for the Adult Social Care precept.

15.12 Members are asked to consider the impact of the latest draft budget on the level of Council Tax for 2017/18, having regard to all the above factors, including the Director of Finance comments in Appendix 4.

16. FUNDING SETTLEMENT

16.1 Details of the Provisional Local Government Finance Settlement 2017/18 were reported to the previous meeting of the Executive and the final settlement is expected by mid-February.

16.2 The Leader met with Greg Clark, Secretary of State and the local MPs to express concern about the Local Government Finance Settlement 2016/17. The Leader and the Director of Finance had also separately written to the Government as part of the response to the previous years consultation. A significant number of points were raised and the concerns relate to the higher than average reduction in funding, "lock in" of previous low funding levels, no transitional protection, no recognition that lower cost authorities such as Bromley have less scope to achieve further savings and no account is taken of London related additional cost pressures (e.g. homelessness and increasing population). The changes also resulted in a reduction in the future allocation of Better Care Fund which the Council proposes should continue to be distributed using the adult social care formula. The final 2016/17 Local Government Finance Settlement was published on 8th February 2016 and had resulted in Bromley being offered a new Transitional Grant of £2.068m in 2016/17 and £2.052m in 2017/18. Only 11 London boroughs (out of 32 London Boroughs plus City of London) received transitional protection with Bromley being the second highest. The highest was Richmond with £5.8m over 2 years, the average was £2.4m over 2 years and Bromley will receive £4.1m over 2 years. Although this represents one off income, it is still a significant contribution and, in view of the longer term 'budget gap', the forecast assumes that these monies are set aside as an earmarked reserve to fund future transformation changes.

16.3 To seek a better deal for Bromley, the Leader and Director of Finance met with Marcus Jones, Minister for Local Government on 25th May 2016 and further details were reported to the previous meeting of the Executive.

16.4 The Council's response to the 2017/18 Provisional Local Government Finance Settlement is shown in Appendix 5.

17. MEDIUM TERM FINANCIAL PLANNING

17.1 The detailed approach of the Council towards budgeting over the medium to longer term was reported to Executive on 11th January 2017 and the draft 2017/18 Budget and future years forecasts reflect the impact of this approach.

17.2 There is uncertainty on the impact of the full devolution of business rates and the outcome of the Government's "Fairer Funding" review which may result in new responsibilities for the Council and associated risks. The changes may not be implemented until 2020/21 whilst austerity for local government is expected to continue beyond that period and a possible future recession provides significant financial risks. The continuation of long term financial planning as part of the Medium Term Financial Strategy remains essential to ensure that any future service changes are managed effectively.

17.3 The Council will continue to seek a fairer financial settlement on behalf of the residents of the Borough and the report has referred to some of the work undertaken in the current financial year. The contribution of local MPs has also assisted in this arrangement.

17.4 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 meet inflationary costs on social care and provide funding to meet increasing social care costs, demographic cost pressures and to meet the ongoing "budget gap". As part of the Local Government Finance Settlement 2017/18, the Government's funding reductions assume that Councils could raise alternative funding, to partly offset grant reductions, from council tax increases of around 2% and a further 2% increase to reflect the full Adult Social Care precept. The financial forecast reflects that approach.

17.5 The Budget Strategy has to be set within the context of a reducing resource base, with Government funding reductions likely to continue 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, 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.

17.6 The Council has had to take significant action to reduce the cost base while protecting priority front line services and providing sustainable longer term solutions. Council Tax has been kept low compared with other Councils. A combination of front loading of savings in previous years, pro-actively generating investment income and prudent financial management have provided an opportunity to provide a potential balanced budget for the next two years. To illustrate the benefit of the investment approach the Council has undertaken, budgeted income totaling £12.7m from a combination of treasury management income and rents from investment properties has been released. 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. The Council will continue to explore using low cost treasury management monies to support future joint venture opportunities with the aim to generate investment returns over a 3 to 5 year period. This could include, for example, funding of joint venture opportunities to support land disposal/key investments. The Council remains debt free and has resources to encourage and invest in innovation and new types of investment for the future.

17.7 There will be significant challenges as the Council is a low cost authority and the position will need to be regularly reviewed particularly as there are risks relating to potential higher increases in inflation, compared with the forecast, and further cost pressures/new burdens. Apart from early identification of options to address the future years budget gap (2020/21 and beyond) including any significant transformation and income generating opportunities, it remains essential that Chief Officers identify mitigating action to address any in year cost pressures/new burdens to remain within their "cash envelope".

17.8 Stewardship and delivering sustainable finances are increasingly important whilst the Government's austerity measures continue. It is important to consider actions now that address the "budget gap" in the medium term.

17.9 The council has taken a prudent approach to identify and deliver front loading efficiency savings. This, together with being debt free and having healthy reserves places the council in a stronger position to respond to the challenges that will undoubtedly arise. The strategy needs to remain flexible and the Council's reserves resilient to respond to the impact of volatile external events and the structural budget deficit during this austerity period.

18. IMPACT ON VULNERABLE ADULTS WITH CHILDREN

18.1 The Draft 2017/18 Budget reflects the Council's key priorities which includes, for example, supporting vulnerable adults with children and being ambitious for all our children and young people.

19. POLICY IMPLICATIONS

19.1 The Council launched the updated "Building a Better Bromley 2016-2018" and the budget proposals reflect the Council's priorities. "Building a Better Bromley 2016-2018" identifies key priorities as follows:

- Ensure financial independence and sustainability;
- Invest in our business and our people;
- Ambitious for all our children and young people;
- Enhance our clean and green borough.

19.2 Ensure financial independence and sustainability priorities include:

- Strict management of our budgets to ensure we live within our means;
- Working to achieve the benefits of the integration of health and social care;
- Early intervention for our vulnerable residents.

20. PERSONNEL IMPLICATIONS

20.1 Staff, departmental and trade union representatives will be consulted individually and collectively on any adverse staffing implications arising from the Draft 2017/18 Budget. Managers have also been asked to encourage and facilitate staff involvement in budget and service planning.

21. LEGAL IMPLICATIONS

21.1 The Council is required to fix its Council Tax by the 11th March in any year. The Local Authorities (Standing Orders) (England) Regulations 2001 and the Local Authorities (Functions and Responsibilities) Regulations 2000 (as amended) 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 31A and 31B to the Local Government Finance Act 1992 (as amended by sections 73-79 of the Localism Act 2011) set out the way in which a billing authority calculates its budget requirement and basic amount of Council Tax. The main change being replacing the need to calculate a budget requirement for a financial year with the obligation to calculate a Council tax requirement. These calculations are required to be presented to and be subject to formal resolution by the Council.

21.2 Schedule 5 to the Localism Act 2011 inserted a new section 52ZB in the 1992 Act which sets out the duty on billing authorities, and precepting authorities to each determine whether their relevant basic amount of council tax for a financial year is excessive. If an authority's relevant basic amount of council tax is excessive, the provisions in relation to the duty to hold a referendum will apply (see Section 15 of the Report). This replaced the previous power of the Secretary of State to "cap" local Authority budgets.

21.3 The introduction of the Education Act 2005 has changed the procedure for the setting of schools budgets. The Act has introduced the concept of a funding period, which allows for the introduction of multiple year budgets rather than the setting of financial year budgets.

21.4 The Schools Finance (England) Regulations 2005 introduced under the provisions of the new Section 45AA of the School Standards and Framework Act 1998, place a requirement on the LEA to determine schools budgets by the 31st March. Notice of a schools determination must be given to maintained schools governing bodies. Contained within the regulations is a designated procedure that allows the LEA to predetermine schools budget and the individual schools budget. There is also a provision allowing amendment to the determination, but any reduction in budget can only be proportionate to any reduction in the dedicated schools grant that has been received.

21.5 The making of these budget decisions is a statutory responsibility for all Members. Section 106 of the Finance act 1992 provides that Members who are present and who are 2 months or more in arrears with their Council Tax must declare this to this meeting and the budget meeting and not vote on budget recommendations.

21.6 The Local Government Act 2003 included new requirements to be followed by local authorities, which includes the CIPFA Prudential Code. This includes obligations, which includes ensuring the adequacy of future years reserves in making budget decisions.

21.7 In setting the proposed budget, due regard has been necessary to relevant considerations including equality, human rights, proportionality, reasonableness, need to maintain our statutory obligations, legitimate expectation and the Council's priorities The Public Sector Equality Duty, at section 149 of the Equality Act 2010, requires public bodies such as the Local Authority to consider all individuals when carrying out their day to day work – in shaping policy, in delivering services and in relation to their own employees. It requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations between different people when carrying out their activities. The Act covers discrimination because of a ‘protected characteristic’ which includes age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

21.8 In fulfilling our equalities duty, and in particular the specific equalities duty, regard has been had to the impact of budget proposals and savings options on those with ‘protected characteristics’ including the potential for cumulative impact on some groups from separate work streams arising from this budget, As part of the budget setting process where appropriate impact assessments have been performed at service level where service managers and frontline staff will be involved in implementing the changes and fully understand the customer base and likely impact on them. Where any proposals are found to have a disproportionate impact on a particular group, the Council will consider what actions can be taken to avoid or mitigate the impact.

21.9 In some instances detailed analysis will be undertaken after the budget has been set but before a policy arising from the budget is implemented. In these instances the council will comply with its legal obligations including those relating to equalities and consultation and if a proposal is deemed to be unsustainable after such detailed work or where a disproportionate impact on a protected group is identified consideration will be given to any necessary mitigation, rephrasing or substitution of the proposed service changes.

Background documents	Gateway Review 1,2 Approval of 2017/18 Operational Building Maintenance Budgets, Planned Maintenance Programme and Preferred Procurement Option, Executive, 8th February 2017 Capital Programme Monitoring Q3 2016/17 and Annual Capital Review 2017 to 2021, Executive, 8th February 2017 Pension Fund Triennial Valuation, Pensions Investment Sub-Committee (31st January 2017) and General purposes and Licensing Committee (6th February 2017) Progress in Implementing Children's Services Improvements Phase3 Spending Plan, Executive, 11th January 2017 Draft 2017/18 Budget and Update on Council's Financial Strategy 2018/19 to 2020/21, Executive, 11th January 2017 Drawdown of Homeless Contingency Needs Grant, Executive, 30th November 2016 Budget Monitoring 2016/17, Executive, 30th November 2016 Highways Investment, Executive, 18th October 2016 Insurance Fund – Annual Report 2015/16, Executive and Resources PDS Committee, 12th October 2016 Ofsted Inspection of Children's Services, Executive, 14th September 2016 Government's Four Year Funding Offer, Executive, 14th September 2016 Gateway Report Commissioning – Proposed Total facilities Management Contract, Executive, 20th July 2016 2015/16 Provisional Final Accounts. Executive, 15th June 2016 2016/17 Council Tax, Executive 10th February 2016 Draft 2016/17 Budget and Update on Council's Financial Strategy 2017/18 to 2018/19, Executive, 13th January 2016
Financial Considerations	Covered within overall report

DRAFT 2017/18 BUDGET AND FINANCIAL FORECAST 2018/19 to 2020/21

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Bromley's Budget Requirement in 2016/17 (before funding from Formula Grant)	192,363	192,363	192,363	192,363	192,363
Formula Grant and Business Rate Share	-56,680	-56,680	-56,680	-56,680	-56,680
	135,683	135,683	135,683	135,683	135,683
Increased costs (2.7% 2017/18 and 2018/19 then 2.5% per annum)		4,591	9,892	15,242	20,747
Net reduction in core funding		9,620	15,114	20,507	24,900
Potential impact of Chancellor's 2015 Summer Budget on future costs					
(eg. further changes on welfare reform, new living wage, etc.)		5,250	9,050	12,150	13,000
Less contingency for growth already reflected in 2016/17 budget		-4,483	-4,483	-4,483	-4,483
Impact of reduction on bank base rate resulting in lower interest rates for lending		600	600	600	600
Additional income from business rate share to reflect new developments in borough		-300	-600	-900	-1,200
General reductions in government funding		0	1,000	1,500	1,500
Reductions in Government Funding - Public Health		375	785	1,195	1,500
Estimated impact of National Formula Funding resulting in funding reductions for SEN placements		0	1,500	1,500	1,500
Better Care Fund (provisional estimate at this stage - allocations not known)		0	-2,010	-4,630	-4,630
Assumed compensatory cost requirements at this stage		0	2,010	4,630	4,630
Adult Social Care Grant		-1,196	0	0	0
		246	7,852	11,562	12,417
Real Changes and Other Variations					
Education, Care and Health Services		-189	-189	-189	-189
Environment		528	1,205	1,808	2,423
Renewal and Recreation		29	58	88	118
Other (mainly council wide)		-443	207	-375	-256
Sub total - real changes and other variations		-75	1,281	1,332	2,096
New Homes Bonus		-6,011	-3,250	-2,500	-1,000
New Homes Bonus - Support for Revenue Budget		2,171	-2,170	0	0
		-3,840	-5,420	-2,500	-1,000
Transitional Funding 2017/18 (part of Local Government Finance Settlement 2016/17)		-2,052	0	0	0
Transitional Funding set aside for Transitional Funding Reserve		2,052	0	0	0
Collection Fund surplus 2015/16		-6,401	0	0	0
Collection Fund surplus 2014/15 and 2015/16 set aside as one off support towards					
meeting the funding shortfall in future years		6,401	-6,924	-4,389	0
		0	-6,924	-4,389	0
Full year effect of savings agreed as part of 2015/16 Budget		-45	-45	-45	-45
Full year effect of savings agreed as part of 2016/17 Budget		-3,273	-4,158	-4,251	-4,251
Acquisition of residential properties to accommodate the homeless (Executive 2nd December 2015)		-493	-1,951	-2,433	-2,433
"Gifting" of residential properties investment to pension fund (Executive 2nd December 2015)		-1,700	-1,700	-1,700	-1,700
Additional income opportunity (TFM Contract)		0	-500	-700	-945
Impact of Highways Investment report		-2,500	-2,500	-2,500	-2,500
		-8,011	-10,854	-11,629	-11,874
Review of Children's Services following Ofsted report (Executive and Council September 2016)		2,314	2,266	2,266	2,266
Full year impact of Children's Placements overspend in 2016/17		2,093	2,093	2,093	2,093
Review of Children's Placements		0	-2,093	-2,093	-2,093
Provision for cost pressures - Children's Social Care		0	2,093	2,093	2,093
Education SEN and Adult Social Care - full year effect of additional costs		2,200	2,200	2,200	2,200
Release general provision in contingency for significant uncertainty/variables		-724	-2,400	-2,500	-2,500
Increase in Council Tax Base to reflect additional properties and increased collection rates		-2,000	-2,650	-3,300	-3,950
Impact of Pension Fund triennial valuation		-1,500	-1,500	-1,500	-1,500
Resourcing commissioning programme		500	0	0	0
		2,883	9	-741	-1,391
Increase in council tax (assume 1.99% per annum) *		-2,700	-5,454	-8,263	-11,127
2016/17 Council Tax Income	-135683	-135,683	-135,683	-135,683	-135,683
Remaining "Budget Gap"	0	**2,714**	**5,496**	**21,121**	**34,768**
Impact of Adult Social Care Precept (assume 2% per annum) *		**-2,714**	**-5,482**	**-8,305**	**-11,185**
Remaining "Budget Gap"		**0**	**14**	**12,816**	**23,583**

* Included for illustrative purposes. Any decision on council tax and adult social care precept levels will be part of the annual council tax setting meeting.

Appendix 2

SUMMARY OF DRAFT 2017/18 REVENUE BUDGET - PORTFOLIO

	2016/17 Final Budget £'000	Portfolio/Item		2017/18 Draft Budget £'000		2017/18 Band "D" Equivalent £
	88,950	Education		85,871		668.14
Cr	83,705	Less costs funded through Dedicated Schools Grant	Cr	80,458	Cr	626.02
	5,245	Sub total		5,413		42.12
	92,548	Care Services		96,810		753.25
	31,203	Environment		29,329		228.20
	1,948	Public Protection and Safety		1,938		15.08
	8,953	Renewal and Recreation		7,572		58.91
	31,820	Resources		30,601		238.10
	7,579	Non Distributed Costs & Corporate & Democratic Core		3,831		29.81
	179,296	Total Controllable Budgets		175,494		1,365.47
	11,521	Total Non Controllable Budgets		11,244		87.48
Cr	772	Total Excluded Recharges	Cr	731	Cr	5.69
	190,045	Portfolio Total		186,007		1,447.26
Cr	10,203	Reversal of Net Capital Charges	Cr	9,901	Cr	77.04
Cr	3,491	Interest on General Fund Balances	Cr	2,891	Cr	22.49
	7,402	Contribution to Investment Fund		-		0.00
	-	New Homes Bonus - Support for Revenue Budget		2,171		16.89
	2,068	Contribution to Transition Fund Reserve		2,052		15.96
	4,912	Set Aside/Utilisation of Prior Year Collection Fund Surplus		6,401		49.80
	15,629	Central Contingency Sum		19,776		153.87
		Levies				
	464	- Local Pension Partnership*		487		3.79
	320	- London Boroughs Grants Committee		281		2.19
	238	- Environment Agency *		250		1.95
	362	- Lee Valley Regional Park *		380		2.96
	207,746	Sub Total		205,013		1,595.14
Cr	56,680	Revenue Support Grant and Business Rate Retention	Cr	47,360	Cr	368.49
Cr	2,068	Transition Grant	Cr	2,052	Cr	15.97
Cr	15	Local Services Support Grant		-		-
Cr	4,912	Collection Fund Surplus	Cr	6,401	Cr	49.80
Cr	7,402	New Homes Bonus	Cr	6,011	Cr	46.77
Cr	986	New Homes Bonus - London Top Slice		-		-
	135,683	Bromley's Requirement (excluding GLA)		143,189		1,114.11

* Final allocations awaited

Appendix 3

2017/18 CENTRAL CONTINGENCY SUM		£'000
Renewal and Recreation		
Planning appeals - changes in legislation		60
Grants included within Central Contingency Sum		
Tackling Troubled Families Grant Expenditure		781
Tackling Troubled Families Grant Income	Cr	781
SEND Implementation Grant Expenditure		201
SEND Implementation Grant Income	Cr	201
General		
Provision for Unallocated Inflation		2,504
Impact of Chancellor's Summer Budget 2015 on future costs including Welfare Reforms & Impact of Living Wage		6,737
Education SEN and Adult Social Care - full year effect of additional costs		2,200
Provision for risk/uncertainty relating to volume and cost pressure		2,182
General provision for risk/uncertainty		2,194
Impact of Pension Fund triennial valuation (provisional) - future service contribution		700
Commissioning Programme - one off funding		500
Retained Welfare Fund		450
Growth for waste services		424
Appreniceship levy		350
Provision for impact of NNDR revaluation		350
Better Care Fund		322
Other Provisions		293
Grants to voluntary organisations - pump priming funding		275
Deprivation of Liberty		118
Conversion of schools to academies		117
		19,776

It is important to note that the 2017/18 Central Contingency sum includes significant costs not allocated to Portfolio budgets as this stage. Therefore there will be further changes to the Central Contingency to reflect allocations to individual Portfolio budgets prior to publication of the Financial Control Budget.

Appendix 4

LEVEL AND USE OF RESERVES AND ROBUSTNESS OF THE 2017/18 BUDGET

1. Background

With the introduction of the prudential approach to capital investment, Chief Financial Officers in local authorities are required to have full regard to affordability when making recommendations about the local authority's future capital programme. Such consideration includes the level of long-term revenue commitments. In considering the affordability of its capital plans, councils are required to consider all of the resources available to it/estimated for the future, together with the totality of its capital plans and revenue forecasts for the forthcoming year and the following two years. This requires clear and objective attention to the levels and application of the Council's balances and reserves. The level of balances and reserves needs to be adequate to ensure that the longer term stewardship of the Council's finances remains effective and the Council maintains "sustainable" finances in the medium term. Medium term planning becomes absolutely key in recognition of the ongoing "structural" budget deficit facing the Council.

2. General Reserves

2.1. Bromley has estimated general reserves of £14.6 million as at 31st March 2017 (as reported to Executive on 30th November 2016), as well as earmarked reserves (Section 3). Key to any financial strategy is the retention of sufficient reserves (including earmarked reserves) for the following reasons:

(a) To provide some "contingency" reflecting the financial risks facing the Council. The scale of budget reductions and associated impact, the need to manage effectively action to reduce the longer term "budget gap" and recent government changes which include the transfer of risks from central to local government provides significant new risks for longer term planning purposes;
(b) To provide alternative one off funding to offset the impact of any overall large overspends facing the Council;
(c) To provide adequate resources for spend to save initiatives which, following investment, can provide real longer term financial and service benefits;
(d) To provide support in financing the capital programme, particularly to assist in funding key initiatives;
(e) To provide financial support (income) to the revenue budget through interest earnings, which will reduce as balances are gradually reduced;
(f) To utilise short term monies available from any "front loading" of savings to assist in managing the key risks facing the Council and fund key initiatives preventing the further deterioration in the "sustainability" of the Council's finances;
(g) To provide investment to seek a long term alternative to current income streams;
(h) To provide funding (e.g. severance costs) to enable the release of longer term ongoing savings;
(i) To set aside income available, that does not provide a permanent income stream, towards one off investment in the community for schemes that meet the Council's priorities;
(j) To buy time to identify further savings needed whilst avoiding "knee jerk" actions to deal with future budget deficits;
(k) To assist the Council to achieve as much stability as possible for both longer term service delivery and planning the moving of resources to areas of agreed priority.

2.2 In order to assess the adequacy of unallocated general and earmarked reserves when setting the budget, account must be taken of the strategic, operational and financial risks facing the authority. This is an important aspect of Bromley's approach to risk management. An "Annual Governance Statement" signed by the Chief Executive and the Leader of the Council covers, for example, the processes to fully underpin the Council's system of internal control.

2.3 Setting the level of reserves is just one of several related decisions in the formulation of the medium term financial strategy and the budget for a particular year. Account needs to be taken of the key financial assumptions underpinning the budget alongside a consideration of the authority's financial management arrangements.

2.4 Bromley's reserves have reduced from £131m to £54m (general reserves) between 1997 and 2011. The Council had previously agreed to set aside part of these reserves towards an Invest to Save Fund and to fund the Growth Fund and Investment Fund. The latest projected level of general reserves remaining is £14.6m. It was previously estimated that reversing the current strategy of eliminating the ongoing dependency on the use of reserves to support the revenue budget and abandoning the transfer of rolling programmes to revenue would have eliminated the Council's overall general reserves by 2016/17 which is not sustainable. Further details were reported in the Annual Capital Review reports. However, given the ongoing financial constraints and an opportunity to reduce overall costs in the medium term, Executive on 18th October 2016 approved capital funding for investment in planned highways maintenance to be funded from capital receipts.

2.5 The most significant gain to balances was following the housing transfer to Broomleigh in 1992. Opportunities to generate additional capital resources and reserves through disposal of surplus assets should continue to be vigorously pursued, however, there are unlikely to be opportunities to again generate the very substantial level of reserves held in the past.

2.6 Latest projections in the capital programme indicate that there will be no requirement to fund capital expenditure from revenue balances over the next four years which should enable the current level of balances to be retained. This position could change if there is significant slippage in planned capital receipts.

2.7 If the existing general reserves are released now to fund continuing service initiatives and/or significantly reduce council tax then there would be a resultant "opportunity cost" relating to the corresponding loss in interest earnings and depletion of reserves which is not recommended by the Director of Finance, particularly at this time of financial uncertainty. Funding for any increases in service levels would only be in the short term. If the reserves were used to just balance the budget they would be fully spent in the next few years resulting in greater budget cuts in the future. Using this money to fund services is not a sustainable approach as these reserves are not budgets that are renewed every year. Similar to a savings account – once it is spent, it is gone. Retaining a significant level of reserves provides a major opportunity to fund any transformation/spend to save programmes in future years, as well as provide an ongoing source of significant revenue income to the Council. It becomes increasingly more critical with the future devolution of business rates and associated risks (e.g. future recession) and the organisation moving to become "self-sufficient".

2.8 Executive previously agreed that the following principles be applied to determining the use of reserves:

(a) As a prudent working balance that a target minimum level of general reserves of £15m should be set at this stage for reserves, with higher amounts being retained for specific purposes. The Director of Finance subsequently reviewed the minimum level of general reserves and recommended a minimum sum of £20m to reflect the significant financial uncertainty facing the Council and the need to address the significant ongoing "budget gap";

(b) Any support for the capital programme to be focused on areas that can generate business efficiencies and maintain and enhance the Council's core infrastructure. The programme should be driven by the Council's asset management plan, which in turn should be derived from the key priorities of the Council;

(c) Any support for the revenue budget will need to be modest and sustainable in the medium term and the impact of any withdrawal built into future financial plans. From 2008/09 Members agreed to eliminate the continuing use of reserves to support the revenue budget;

(d) The Council has limited scope to utilise general fund reserves for capital spending in excess of the current capital programme and will need to continue to progress a programme of asset disposals. Given the substantial pressures on the revenue position of the council it would be sensible to focus the spending of general reserves in excess of the basic level on investments to increase the efficiency of the Council, provide income and reduce the cost base rather than in funding the continuation of current practices and patterns of spending.

2.9 Balancing the annual budget by drawing on general reserves is a legitimate short-term option. However, where reserves are to be deployed to finance recurrent expenditure this needs to be explicitly considered including the sustainability of this measure over the lifetime of the medium term financial plan.

2.10 In the context of Bromley's current financial position options need to be explored to ensure that the recommended minimum sum of general reserves are retained to provide adequate flexibility during the financial forecast period. However, the important issue to consider is planning the future use of reserves in the context of the authority's medium term financial plan and not to focus exclusively on short-term considerations.

3. Earmarked Reserves

3.1 As part of developing a medium term financial plan and preparing the annual budget Members need to consider the appropriate use of reserves for specific purposes and the levels at which these should be set. Further details on the utilisation of earmarked reserves together with general reserves are provided in section 2.1. The current specific (earmarked) reserves and their estimated uses are:

Description	Balance at 1/4/16	Estimated Net Movement	Balance at 31/3/17	Estimated Movement	Estimated Balance at 31/3/18
	£'000	£'000	£'000	£'000	£'000
EARMARKED BALANCES					
LPSA/LAA Reward Grant Investment Fund	**871**	-71	**800**	-	**800**
Technology Fund	**1,853**	-150	**1,703**	-200	**1,503**
Town Centre Improvement Fund (LABGI)	**55**	-	**55**	-55	**-**
Transformation Fund	**3,165**	-2,000	**1,165**	-500	**665**
Investment to Community (Resources)	**578**	-100	**478**	-100	**378**
Works to Property	**100**	-	**100**	-	**100**
Building Control Charging Account	**131**	-25	**106**	-	**106**
Government Grants (c/fwd from previous years)	**2,257**	-1,426	**831**	-220	**611**
Invest to Save Fund	**13,381**	993	**14,374**	993	**15,367**
One off Member Initiatives	**1,566**	-304	**1,262**	-438	**824**
Infrastructure Investment Fund	**2,000**	-200	**1,800**	-100	**1,700**
Commissioning Authority Programme	**55**	-55	**-**	-	**-**
Health & Social Care Initiatives – Promise Programme	**5,953**	-3,500	**2,453**	-2,453	**-**
Housing Strategy Trading Account	**25**	-	**25**	-	**25**
Community Right to Bid & Challenge	**46**	-	**46**	-	**46**
Investment Fund	**3,769**	-954	**2,815**	-2,815	**-**
Winter Pressures Reserve	**1,542**	**-**	**1,542**	**-**	**1,542**
Refurbishment of War Memorials	**13**	**-**	**13**	**-**	**13**
Key Health & Social Care Initiatives	**1,700**	**-**	**1,700**	-1,047	**653**
Integration of Health & Social Care Initiatives	**1,614**	-	**1,614**	**-**	**1,614**
Collection Fund Surplus Set Aside	**-**	4,912	**4,912**	**-**	**4,912**
Healthy Bromley Fund	**3,815**	**-**	**3,815**	**-**	**3,815**
Glaxo Wellcome Endowment	**175**	17	**192**	7	**199**
Cheyne woods & Cyphers Gate	**173**	10	**183**	10	**193**
Public Halls Fund	**7**	-	**7**	-	**7**
Future Repairs of High Street Properties	**19**	12	**31**	12	**43**
Parallel Fund	**2,809**	15	**2,824**	56	**2,880**
Growth Fund	**29,483**	-14,704	**14,779**	-12,534	**2,245**
Health & Social Care Integrated Commissioning Fund	**4,550**	**-**	**4,550**	**-**	**4,550**
Financial Planning & Risk Reserve	**5,000**	**-**	**5,000**	**-**	**5,000**
Bromley Welfare Fund	**970**	-110	**860**	-110	**750**
LBB Leased Properties Reserve	**51**	26	**77**	26	**103**
Business Rate Risk Reserve	**4,200**	**-**	**4,200**	**-**	**4,200**
Non Recurring Expenditure 2016/17 (inc. TFM contract)	**461**	-461	**-**	**-**	**-**
Crystal Palace Park Improvements	**238**	-105	**133**	-80	**53**
Various Joint Schemes and Pump Priming Investments	**3,100**	1,242	**4,342**	**-**	**4,342**
Transition Fund	**-**	2,038	**2,038**	2,022	**4,060**
Sub Total	**95,725**	**-14,900**	**80,825**	**-17,526**	**63,299**
PROVISIONS					
Insurance Fund	**3,099**	254	**3,353**	300	**3,653**
OTHER					
School Budget Share Funds	**4,017**	-1,259	**2,758**	-2,758	**-**
Total Reserves	**102,841**	**-15,905**	**86,936**	**-19,984**	**66,952**
New Reserves Subject to Final Approval					
Commissioning Programme			**-**	500	**500**
New Homes Bonus Support for Revenue Budget	**-**	**-**	**-**	2,171	**2,171**
Set Aside of Prior Year Collection Fund Surplus	**-**	**-**	**-**	6,401	**6,401**
Total Estimated Reserves	**102,841**	**-15,905**	**86,936**	**-10,912**	**76,024**

3.2 The report highlights the ongoing "budget gap" (see 4.4 of main report) which results in the Council, on an ongoing basis, having a "structural deficit". To respond to this, Members have agreed over the last four years to create new earmarked reserves to support longer term investment and provide a more sustainable longer term financial position. This includes setting aside resources to support the Council's future transformation programmes (invest to save), support acquisition of investment properties to generate sustainable income and the growth fund to support economic development and employment within the borough whilst generating income opportunities. These measures are important to provide sustainable solutions in the longer term.

3.3 A summary of other significant areas are:

- School Balances - these are unspent balances of budgets delegated to individual schools and these are legally only available to schools.
- Insurance Reserves – self-insurance is a mechanism used by a number of local authorities including Bromley. In the absence of any other statutory basis, sums held to meet potential and contingent liabilities are reported as earmarked reserves or provisions.
- Technology Fund - this represents IT budgets that have been put into a reserve in previous years to allow projects to be carried out across the boundaries of financial years and the utilisation of this will become increasingly important over the next few years.
- Health and Social Care (various) – there are monies set aside as part of a Section 256 agreement with Bromley Clinical Commissioning Group for the funding of future transformation/integration of health and social care and to contribute towards the financial sustainability of Bromley CCG.

3.4 In addition there is the pensions reserve – this is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with those schemes' requirements and the net change in the authority's recognised liability under IAS19 – employee benefits, for the same period. An appropriation is made to or from the pensions reserve to ensure that the bottom line in the income and expenditure account reflects the amount required to be raised in taxation. This effectively prevents the deficit on the pension fund needing to be made good from taxation in one year.

3.5 The outcome of the actuarial valuation as at 31/3/16 is being reported to Pensions Investment Sub Committee on 31st January 2017 and General Purposes and Licensing Committee on 6th February 2017. The Council's pension fund is 91% funded with a total deficit of £71m (including other non-council employees) – this figure reduces to £40m if non-council employees are excluded. Decisions on the deficit repayment period will also be made at these meetings. The triennial actuarial valuation will impact on the budget from 2017/18 to 2019/20 with a subsequent valuation impacting from 2020/21.

4. Budget Assumptions

4.1 Treatment of Inflation and Interest Rates

4.1.1 The reduction in the Bank of England base rate from 0.5% to 0.25% compounded by banks having access to lending from central government at very low rates have resulted in a reduction of investment income from treasury management. In addition, the utilisation of the investment and growth fund as well as the planned Highways Investment Fund, have reduced the resources available for treasury management investment. A reduction of £600k per annum has been included in the 2017/18 Draft Budget and financial forecast. A combination of higher risk and longer term investments within Treasury Management have contributed towards the Council having one of the highest performing returns against

the local authority benchmark group.

4.1.2 A general allowance of 2.7% has been built into the forecast for 2017/18 reducing to 2.5% per annum from 2019/20 for contractual running expenses. This compares with current general RPIX increase of 2.7% (Dec. ’16).

4.1.3 The 2017/18 Budget includes the proposed pay award of 1.2% for Council staff, including an additional £300 per annum for staff earning a full-time (FTE) salary of less than £18,000 as well as increases in standby allowances. Further details are being reported to General Purposes and Licensing Committee on 6th February 2017.

4.2 **Level and Timing of Capital Receipts**

4.2.1 Details of the level and timing of capital receipts are included in the “Capital Programme Monitoring Q3 2016/17 and Annual Capital Review 2017 to 2021” report elsewhere on the agenda.

4.3 **“Demand Led” Budgets**

4.3.1 The major demand led services that currently affect Bromley's budget are homelessness, the impact of welfare reforms and the children’s placement budget. The draft 2017/18 Budget includes reasonable estimates of likely changes in activity in the next financial year.

4.4 **Financial Standing of the Authority**

4.4.1 Long-term Council Tax collection rates have been consistently high at around 98/99%. Other external debt collection is also high. There are plans to continue to improve the recovery of income across service areas. Any improvement will serve to improve the Council's overall financial position. As a debt free authority, Bromley has relatively limited exposure to interest rate movements and changes in interest earnings on external investments have been reflected in the budget based upon likely use of reserves and current interest rates.

4.5 **Budget and Financial Management**

4.5.1 Bromley has for many years operated multiyear budget planning. There have been substantial improvements in the quality and accuracy of financial planning in recent years although the need to meet budget savings has reduced the frequency of budget monitoring. The introduction of cash targets for service departments has led to greater realism in the projection and management of the volume of service activity. Service overspends against the budget had been generally contained in overall terms in previous years although significant projected service overspends have been identified in 2016/17 and the future years position needs to be closely monitored and reviewed, with early corrective action being taken where possible. Balancing the budget will require very positive action if the council is not to overspend in future years.

4.6 **Financial Information and Reporting**

4.6.1 The arrangements for finance staff to report to the Director of Finance, in place since April 2002, have produced far greater clarity of roles and responsibilities. This has led to the production of more accurate budgets and improved the quality of budget monitoring. However the implementation of the full year effect of further savings to revenue budgets for 2017/18 will require even greater scrutiny than was the case in previous years and this will include the capital programme. The Council will need to continue with a rolling service review process to be able to generate savings as part of future years' budgets. The main issue

remaining is to ensure that service managers continue to develop even greater ownership of their budgets and have more sophisticated activity and performance information on the service which they are providing. Any overspending should require compensating savings to be identified.

4.6.2 The Council will need to continue to adopt a corporate "One Council" approach in addressing budget pressures and identifying saving options.

4.7 **Virement Procedures**

4.7.1 Currently Bromley does not routinely allow the carry forward of under-spending (and overspending) by service departments as part of its year-end procedures. The Director of Finance remains satisfied however, that the current virement rules allow sufficient flexibility within the year for officers/Members to manage the budget to enable them to contain overspending within overall budgets.

4.8 **Risk areas**

4.8.1 Details were reported to the previous meeting of the Executive.

4.9 **Link with other plans/strategies**

4.9.1 A budget is a service plan/strategy expressed in financial terms and there will be linkages with other strategies and plans across the Council. The proposed budget also takes into account the outcomes of the Public Sector Equality Duty on the Council's proposals (see legal considerations of main report).

4.10 **Insurance Fund**

4.10.1 The insurance fund is protected by the existence of external catastrophe insurance, which meets large claims. There is a stop loss of £1.965 million that prevents the council from having to meet losses in excess of this amount on liability claims in any one year. The "Insurance Fund – Annual Report 2015/16", considered by the Resources Portfolio Holder at the meeting of the Executive and Resources PDS Committee on 12th October 2016, gives more background information.

4.11 **Funds and the adequacy of provisions**

4.11.1 As is discussed above, the council has both general and earmarked reserves and continues to take a prudent approach to limiting the scope of future year's capital expenditure and other commitments. It is essential that an adequate level of reserves is maintained to reflect the impact of the future years budget gap of £12.8m in 2019/20 rising to £23.6m per annum in 2020/21, "balance sheet" liabilities (e.g. pension fund deficit) combined with the significant funding reductions facing the Council in this austerity period. The "budget gap" may increase or reduce as a result of a number of variables in future years. Bad debt provisions are reviewed each year as part of the closure of accounts and are subject to audit by the council's external auditors.

4.11.2 The scale of the medium term "budget gap", coupled with the significant financial uncertainty in the ongoing austerity period makes it important to maintain an adequate level of reserves to ensure the Council has sufficient resilience, flexibility and stability for longer term service delivery. Apart from the need to retain reserves to address risks and uncertainty there are specific reserves to fund invest to save as well as investment in the future towards economic development within the borough (Growth Fund) whilst generating sustainable income and

savings to help reduce the future years budget gap. This helps ensure that key measures of sustainable finances and stewardship in the medium term can be realised. The funds retained are adequate to meet the needs of the Council in the medium term. The level of reserves will continue to be kept under review during the Medium Term Financial Planning period.

Appendix 5

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Charles Coleman,
Department for Communities and Local Government,
2nd floor, Fry Building,
2 Marsham Street,
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13th January 2017

LGFsettlement@communities.gsi.gov.uk

Dear Mr. Coleman

Provisional 2017/18 Local Government Finance Settlement

This letter sets out the London Borough of Bromley's formal response to the provisional settlement consultation.

We would ask that this letter be considered in conjunction with our response to the Fair Funding Review: Call for evidence on Needs and Redistribution and also our response to the 2017/18 Local Government Finance Settlement: Technical Consultation Paper. Further information was also provided in our letter of 13th October 2016 in response to the multi-year settlement.

The London Borough of Bromley accepted the four-year funding offer on the basis it provides a minimum funding level and therefore more certainty about future resources. Whilst this is welcomed, it still fails to provide a fair funding level for our residents. Bromley received a cut in settlement funding of over 50% in real terms over the four year period – one of the highest reductions in London and significantly above the England average.

In 2017/18 we have the 4th lowest level of settlement funding in the whole of London despite having the 7th highest population (excluding City of London). We are the largest London Borough in terms of geographical size, have the highest proportion of older people (in both the over 65 and over 85 age groups) and the largest road network. The associated cost implications are not reflected in the settlement funding which is the 2nd lowest funding per head of population in the whole of London.

Bromley has the second lowest spend per head of population in Outer London (2016/17) and we have managed to achieve a low cost base through many pioneering measures including outsourcing on a large scale, the transfer of our housing stock, creation of a Leisure Trust (leisure centres, swimming pools and other leisure activities), outsourced children's and older people's residential care and relentless cost control. Bromley was one of the first Councils nationally to undertake the social care outsourcing programme which maintained quality but led to significant cost reductions.

With increasing demand for our services, immense pressure on adult and children's social care costs, rising population levels, the significant impact of homelessness pressures and increasing inflation levels it is becoming increasingly difficult to sustain the scale of funding reductions imposed upon us. The impact of the new national living wage has also resulted in a material increase in the costs we pay to third party providers and this is adding to the financial pressures we are facing.

Whilst we welcome the transitional funding awarded following our response to the 2016/17 provisional settlement, this represents non-recurring income for two years only with no change to the 2018/19 and 2019/20 settlement. The methodology for applying reductions in SFA is subjective in reflecting the council tax base within the calculation. Given the higher proportion of cuts applied to Bromley, compared with the average, we would wish for some form of 'damping' protection to be applied.

The settlement funding does not recognise or reward efficient, low cost authorities like Bromley - something we have repeatedly raised. We have kept council tax low despite continued low levels of funding. We have done this by keeping our costs low but this in itself provides additional challenges in looking to identify further savings. We have already achieved savings of over £80m per annum since 2011/12 but still have to find around £30m in ongoing annual savings by 2019/20, including the savings already identified for 2017/18. The funding mechanism should include a factor that recognises below average cost authorities having a lesser reduction in SFA or some degree of "protection" to lessen the impact on that basis.

It is imperative that the Fair Funding model includes a mechanism to reward efficient authorities like Bromley through the inclusion of financial incentives. Also, it is essential that DCLG reflect an adjustment to the Council's baseline funding position to address historic low funding levels.

Bromley does not have the scale of infrastructure investment, such as Crossrail 1 and the potential Crossrail 2. As such, the impact of reductions in government funding has a more severe effect as our ability to generate additional business rates income is restricted compared to those authorities who benefit from such investment.

In previous consultation responses we have expressed concern regarding the transfer of funding for LACSEG and the way that this is calculated. The national average of £132 per pupil applied to the top-slice was considerably higher than Bromley's cost per pupil of approximately £87. We have fully supported Government policy as having the highest proportion of schools converted to academies. As a result, we have been severely disadvantaged by the use of a national per pupil rate for retained responsibilities and the funding that has been taken out is considerably higher than the savings that can be achieved from Academy conversion.

Bromley will be responding separately to the consultation on the proposed new national funding formula for schools and, in particular, changes to high needs funding will result in a significant loss of funding to the Council for its valuable Special Educational Needs services.

We are particularly concerned that the settlement has identified no new funding to meet the serious and significant funding gap in both adult and children's social care. The ability to increase council tax through the ASC precept and the redirected one-off funding for the ASC Support Grant does not go far enough and the financial impact of escalating pressures on social care costs, as well as health budgets, is unsustainable.

We note the confirmed approach to distributing funding through the improved Better Care fund using a methodology which includes the Social Care Precept. In our response to the 2017/18 LGFS Technical Consultation Paper, we disagreed with this proposal on the basis it unfairly penalises authorities like Bromley who have a larger tax base without adequately reflecting our needs profile (eg. an increasing ageing population with social care needs) and the significant and increasing

pressures on adult social care services. The Better Care Fund provides a significant funding stream but under this methodology Bromley will lose funding of £2.8m per annum from 2019/20 compared with using the Adult Social Care RNF.

The settlement funding also does not reflect the impact of new burdens relating to the impact of welfare reform which results in an increase in homelessness costs (estimated additional costs of £6m per annum by 2020/21) as well as other changes including, for example, deprivation of liberty and no recourse to public funds.

The Council can address some of these funding burdens, without increasing funding requirements, if we are allowed further flexibility in the use of other government funding streams, including funding for schools, to help manage within the overall resource envelope provided locally. The ring-fencing of grant funding reduces the ability to re-divert resources to meet local priorities and maximise opportunities for VFM. More opportunities to progress the integration of health and social care could also ensure a better use of resources, reducing the funding burden, with better outcomes for our residents.

Lastly, we would like to re-iterate that Bromley does not support the principle of capping council tax increases. Council tax levels should be determined locally and referendum principles should be removed. Expenditure priorities, income generation and council tax levels are a matter for local decision making, not central control. In setting our annual budget, we face increasingly difficult decisions on service priorities and council tax levels and the balance between the two is a key consideration every year. It is important that we are given local flexibility to determine how our services are funded. This view extends to the ASC Precept which, again, should be determined locally and should not be ring-fenced to fund adult social care. There are a number of services that are not sufficiently funded and this flexibility should be extended to fund other key pressure areas, for example children's social care.

We, with the support of three of our local MPs, have met with the previous Secretary of State for Communities and Local Government, Rt. Hon. Greg Clark MP and Rt. Hon. Marcus Jones MP, Parliamentary Under-Secretary of State for Communities and Local Government with your colleagues from DCLG to discuss our concerns and identify opportunities. We look forward to contributing further towards the Fair Funding review as well as the changes arising from the devolution of business rates.

Bromley's response to the specific consultation questions is appended.

Yours sincerely

Peter Turner
Director of Finance.

Consultation Questions

Question 1: Do you agree with the methodology of Revenue Support Grant in 2017-18?

Whilst we agree that this provides consistency with the information provided for the 2016-17 SFA, we disagree with the methodology and refer to concerns about overall funding levels detailed in the main body of this letter. Allocating changes to the level of Revenue Support Grant on the basis of Settlement Core Funding unfairly penalises authorities like Bromley who, whilst having a larger tax base, have worked tirelessly to keep our council tax low. The ability to raise council tax must not be a factor in the allocation of funding to individual authorities. We strongly argue that there needs to be an adjustment to the baseline position of historic underfunding that Bromley has received.

Question 2: Do you think the Government should consider transitional measures to limit the impact of reforms to the New Homes Bonus?

Whilst we do not agree that New Homes Bonus should be reduced at a time of significant cuts in Government funding and increasing demand for our services (including housing), we do agree that some form of transitional protection should be applied to reduce the impact on authorities. The proposed changes will result in a significant reduction in funding at a time when authorities are already under considerable financial pressure and it will be important to provide some degree of protection to support medium and longer term financial planning.

Question 3: Do you agree with the Government's proposal to fund the New Homes Bonus in 2017-18 with £1.16 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.5.8?

We do not agree with Government holding back £1.16 billion to fund New Homes Bonus as this is larger than expected and proportionately larger than in previous years. There is no information provided about the methodology to be used for the return of any surplus so it is not possible to comment fully on this proposal. However, we believe that the return of any surplus to authorities should be allocated in proportion to how it was originally deducted.

Question 4: Do you agree with the proposal to provide £240 million in 2017-18 from additional savings resulting from New Homes Bonus reforms to authorities with adult social care responsibilities allocated using the Relative Needs Formula?

We do not agree that funding for adult social care should be re-allocated from existing New Homes Bonus funding. Government should have identified additional, new monies to meet the serious and significant funding shortfalls for adult social care. This is not new money but a re-allocation of existing resources.

Whilst we agree that funding for social care should be distributed on the basis of Relative Needs Formula, we have concerns with the accuracy of the information used as this has not been updated since 2013-14.

Question 5: Do you agree with the government's proposal to hold back £25 million to fund the business rates safety net in 2017-18, on the basis of the methodology described in paragraph 2.8.2?

We do not agree that increases in the safety net holdback should be funded from a cut to Revenue Support Grant. The initial safety net holdback was understood to be a one-off. Authorities should not be financially penalised for an increase in the safety net holdback because of lower than expected business rate growth and the effect of outstanding and estimated future rating appeals.

Any surplus on the overall safety net should be held back and any deficit should be funded by Government.

Question 6: Do you agree with the methodology for allocating Transition Grant payments in 2017-18?

We welcomed the announcement of the Transition Grant following our response to the Provisional 2016/17 Local Government Finance Settlement. However, as this is non-recurring income it can only be used to meet one-off expenditure and is not available to support ongoing front-line services.

Despite the issue of an updated explanatory note on the methodology for allocating the Transition Grant, the calculation of the grant is still unclear so it is not possible to comment further at this stage.

Question 7: Do you agree with the Government's proposed approach in paragraph 2.10.1 of paying £65 million in 2017-18 to the upper quartile of local authorities based on the super-sparsity indicator?

We do not agree that the Rural Services Delivery Grant, which benefits rural areas only, should be funded from a top-slice to Revenue Support Grant.

If the financial pressures faced by rural authorities are recognised, it is not unreasonable to expect the same considerations for the unique and significant pressures faced by London authorities. Historic funding levels have failed to reflect the pressures on London (and Bromley) including its underestimated population and the failure to recognise the impact of daytime visitors.

Bromley is the largest London Borough in terms of geographical size and this does have a negative impact on costs, not only relating to the maintenance of our large road network but also with regard to 'sparcity' issues including the higher cost of delivering services than in smaller, more condensed areas.

Question 8: Do you have any comments on the impact of the 2017-18 local government finance settlement on those who share a protected characteristic, and on the draft equality statement published alongside this consultation document? Please provide supporting evidence.

The draft equality statement refers to the re-cycling of New Homes Bonus funding as being expected to provide additional funding for areas with higher social care needs, including areas with greater numbers of elderly or disabled residents. Based on the information available, this does not appear to be the case. For example, Bromley has the largest proportion of older people in the whole of London and this does not seem to have been adequately reflected.