

Decision Maker: **ENVIRONMENT PDS COMMITTEE**

Date: **30th January 2018**

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

TITLE: DRAFT 2018/19 BUDGET

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

Ward: Borough wide

1. REASON FOR REPORT

- 1.1 The prime purpose of this report is to consider the Portfolio Holder's Draft 2018/19 Budget which incorporates the full year effect of savings agreed as part of the 2017/18 Council Tax Report and any further savings approved during the year which have resulted in reductions in the Council's medium term "budget gap". Members are requested to consider the initial draft budget proposed and also to identify any further action that might be taken to reduce cost pressures facing the Council over the next four years.
- 1.2 Executive are requesting that each PDS Committee consider the proposed initial draft budget savings and cost pressures for their Portfolio and that the views of each PDS Committee be reported back to the next meeting of the Executive, prior to the Executive making the recommendations to Council on 2018/19 Council Tax levels.
- 1.3 There are still outstanding issues and areas of uncertainty remaining. Any further updates will be included in the 2018/19 Council Tax report to the next meeting of the Executive.

2. RECOMMENDATIONS

The PDS Committee is requested to:

- 2.1 Consider the update on the financial forecast for 2018/19 to 2021/22;
- 2.2 Consider the initial draft 2018/19 Budget as a basis for setting the 2018/19 Budget;
- 2.3 Provide comments on the initial draft 2018/19 Budget for the February meeting of the Executive.

Impact on Vulnerable Adults and Children

1. Summary of Impact: The draft 2018/19 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.

Corporate Policy

1. Policy Status: Existing Policy
2. BBB Priority: Excellent Council

Financial

1. Cost of proposal: N/A
2. Ongoing Costs: Recurring cost
3. Budget head/performance centre: Environment Portfolio Budgets
4. Total budget for this head £39.148m
5. Source of funding: Draft revenue budget for 2018/19

Staff

1. Number of staff (current and additional): total employees – full details will be available with the Council's 2018/19 Financial Control Budget to be published in March 2018
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 not applicable

Procurement

1. Summary of Procurement Implications:

Customer Impact

1. Estimated number of users/beneficiaries (current and projected) - the 2018/19 budget reflects the financial impact of the Council's strategies, service plans etc. which impact on all of the Council's customers (including council tax payers) and users of the services.
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Ward Councillors Views

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

3. APPROACH TO BUDGETING, FINANCIAL CONTEXT AND ECONOMIC SITUATION WHICH CAN IMPACT ON PUBLIC FINANCES

- 3.1 Forward financial planning and financial management is a key strength at Bromley and this has been recognised previously by our external auditors. This report continues to forecast the financial prospects for the next 4 years and includes the Government's provisional core funding allocations for 2018/19 to 2019/20. At the time of writing this report, further details on various grant funding is awaited and it is important to note that some caution is required in considering any projections for 2020/21 to 2021/22 as this represents the Government's next Spending Review period.
- 3.2 A strong economy with growth increases revenues which supports the Government's ability to reduce public sector debt as the gap between finances raised and spend on public services is reduced. It is important to consider the key national issues that could impact on public finances over the next four years. The overall national debt stands at £1.8 trillion and, whilst a national budget deficit continues, will increase further to beyond £1.9 trillion. The Autumn Budget 2017 identified that public sector net borrowing is expected to be £49.9bn in 2017/18. The forecast for the last year of the current Spending Round (2019/20) is for borrowing of £34.7bn and by 2021/22 borrowing of £30.1bn. The Chancellor stated that borrowing is still forecast at over £20bn in the first year of the next Parliament. The Chancellor has previously said that he is committed to returning public finances to balance 'as soon as practicable'. Elimination of the annual national budget deficit is expected to be delayed until at least 2030 on the basis of current economic forecasts. This highlights that austerity for local government is likely to continue for some time. The Autumn Budget 2017 identifies planned Government Spend up to 2022/23. From a local government perspective, there is no significant additional funding and on that basis austerity will continue. Even with the planned Green Paper on social care which has now been delayed until Summer 2018, no additional funding was identified in the Autumn Budget 2017 for social care. Therefore, the fiscal squeeze will continue and, with ongoing protection of health, education, police and other security services, the disproportionate cuts in direct funding to local government will continue over the remainder of the four year spending review period.
- 3.3 Recognising there are significant funding cuts facing local government, the Government remains committed with the aims of devolution which includes transforming local government and enabling it to be more self-sufficient. The Government views the new flexibilities such as the future growth forecasts from business rates, to be fully devolved to local government by 2020 combined with scope for an increase in council tax for the adult social care precept and the ongoing ability to increase council tax as methods which can reduce the impact of grant reductions. However, it is not the full solution for local government given its costs pressures and service demands.
- 3.4 The Budget Strategy has to be set within the context of a reducing resource base, with Government funding reductions continuing 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. There is also an on-going need to consider “front loading” savings to ensure difficult decisions are taken early in the budgetary cycle, to provide some investment in specific priorities, to fund transformation and to support invest to save opportunities which provide a more sustainable financial position in the longer term. Any decisions will need to consider the finalisation of the 2018/19 Budget as well as the longer time frame where it is now clear that the continuation of the period of austerity remains for local government.

- 3.5 Bromley has the second lowest settlement funding per head of population in the whole of London. Despite this, Bromley has retained the third 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 £90m since 2011/12 but it becomes more challenging to achieve further savings with a low cost base.
- 3.6 One of the key issues in future year budgets will be the balance between spending, council tax levels, charges and service reductions in an organisation starting from a low spending base. It is important to recognise that a lower cost base reduces the scope to identify efficiency savings compared with a higher cost organisation.

4. CHANGES SINCE THE 2017/18 BUDGET THAT IMPACT ON THE FINANCIAL FORECAST

- 4.1 The 2017/18 Council Tax report reported to Executive in February 2017 identified a significant “budget gap” over the four year financial planning period. Some key changes are summarised below.
- 4.2 There continues to be upward pressure on inflation and the 2018/19 Draft Budget and financial forecast assumes increased costs of 3.5% per annum for 2018/19 and 2019/20 reducing to 2.7% per annum from 2020/21. The inflation mainly relates to contract price increases. The main measure used for contract price increases is RPIX which is currently 4.0%. The Autumn Budget 2017 reported that inflation (RPI) is expected to be 3.1% in 2018/19, 2.8% in 2019/20 and 2.9% in 2020/21 and 2021/22. Currently RPI and RPIX are 3.9% and 4% respectively. A separate provision has also been reflected in the Draft 2018/19 Budget to meet the future increase in costs of the National Living Wage. 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.
- 4.3 Given the scale of savings identified and any inherent risks, the need for longer term financial planning, the significant changes that may follow with a new Government relating to new burdens (there were many changes introduced by the previous coalition Government that resulted in net additional costs for the Council), effect of ongoing population increases and the potential impact of other public agencies identifying savings which impact on the Council’s costs, a prudent approach has been adopted in considering the Central Contingency Sum required to mitigate against these risks. If the monies are not required during the year the policy of using these resources, in general, for investment to generate income/savings and provide a more sustainable financial position should continue.
- 4.4 The latest forecast indicates that despite having a balanced budget in 2018/19 there remains a significant budget gap in future years that will need to be addressed,

particularly from 2020/21.

5. FINANCIAL CONTEXT

5.1 Key issues include;

5.1.1 Two of the Council's main activities which are grant funded are schools and housing benefits. Both of these areas of spend continue to be ring-fenced.

5.1.2 A high proportion of the Council's spend relates to third party payments, mainly contracts, which can limit flexibility to change spend levels as well as providing greater inflationary pressures (e.g. the impact of the National Living Wage).

5.1.3 As reported in previous years, the majority of the Council's spend relates to just a few service areas.

6. LATEST FINANCIAL FORECAST

6.1 A summary of the latest budget projections are summarised in the table below:

	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
Variations Compared with 2017/18 Budget				
Grant Loss	8.5	14.0	18.4	22.2
Cost Pressures				
Inflation (including impact of National Living Wage)	9.1	19.1	27.5	34.4
Welfare Reforms and Impact on Homelessness	2.0	4.3	5.8	7.8
Homelessness Reduction Act	0.7	0.7	0.7	0.7
Environmental Services contract & other key contracts	0.0	2.0	4.0	4.0
Full year effect of adult social care spend not funded by IBCF	0.0	1.0	1.0	1.0
Children's Social Care	1.1	1.1	1.1	1.1
Real Changes	2.0	1.6	2.0	2.5
Total Additional Costs	14.9	29.8	42.1	51.5
Income / Savings				
Savings from Office Accommodation Review	0.0	-0.6	-0.6	-0.6
Acquisition of Residential Properties to Accommodate Homeless (Mears)	-1.0	-1.9	-1.9	-1.9
Additional Income Opportunity (Amey)	-0.5	-0.7	-0.9	-0.9
Additional Income from Business Rate Share	0.0	-0.6	-0.9	-0.9
Impact of London Pilots of Business Rates	-2.9	0.0	0.0	0.0
Interest on balances - additional income	-0.6	-0.2	-0.1	0.0
Release general provision in contingency for significant uncertainty/variables	-2.0	-2.0	-2.0	-2.0
Savings from recommissioning/retendering of various contracts	-1.1	-1.1	-1.2	-1.2
Fall out of Commissioning Programme funding	-0.5	-0.5	-0.5	-0.5
Savings from Childrens Social Care linked to Invest to Save funding	0.0	-0.3	-0.8	-1.0
Total Income / Savings	-8.6	-7.9	-8.9	-9.0
Other Changes (includes use of non-recurring funds)				
New Homes Bonus - Support for Revenue Budget	-1.9	0.8	2.8	3.8
Collection Fund Surplus 2014/15 (set aside to meet funding shortfall in 2018/19)	-4.9	0.0	0.0	0.0
Collection Fund surplus 2015/16 (£6401k carry forward to 2018/19 and 2019/20)	-0.7	-5.7	0.0	0.0
Collection Fund surplus 2016/17	-7.9			
Collection Fund surplus 2016/17 set aside to support the 2019/20 Budget	7.9	-7.9	0.0	0.0
Projection of future year collection fund surplus	0.0	-4.0	-3.0	-2.0
Total Other Changes	-7.5	-16.8	-0.2	1.8
Council Tax				
Increase in Council Tax Base to reflect additional properties and increased collection rates	-1.6	-2.3	-2.9	-3.6
Impact of 3.99% Increase in Council Tax (including Adult Social Care Precept)	-5.7	-11.6	-17.8	-24.2
Total Council Tax	-7.3	-13.9	-20.7	-27.8
Remaining "Budget Gap"	0.0	5.2	30.7	38.7

The above table shows, for illustrative purposes the impact of a council tax increase of 3.99% in 2018/19 (including adult social care precept). Each 1% council tax increase generates on-going annual income of £1.4m. The financial forecast assumes an ongoing increase in the Adult Social Care precept beyond 2019/20. It should be noted that the current legislation only provided powers for this precept until the end of 2019/20.

- 6.2 The table shows that the Council, on a roll forward basis, has a “structural deficit” as the on-going budget has increasing costs relating to inflation and service pressures as well as the on-going loss of Government grants. These changes are not being funded by a corresponding growth in income. The above projection includes savings previously agreed to reduce the “budget gap”.
- 6.3 The above table highlights that, although it has been possible to achieve a potential balanced budget for next year through identifying savings, proactively generating investment income, setting aside non recurring council tax collection fund surplus and prudent financial management, there remains a “budget gap” of £5.2m in 2019/20 rising to £38.7m per annum in 2021/22. The projections in later years have to be treated with some caution.
- 6.4 It is important to recognise that, given the current ongoing period of austerity for local government, the downside risks remain significant and that the budget gap in future years could widen substantially.
- 6.5 In considering action required to address the medium term “budget gap”, the Council has taken significant action to reduce the cost base while protecting priority front line services and providing sustainable longer term solutions. Significant savings of over £90m have been realised since 2011/12.

7. REAL CHANGES AND SAVINGS

- 7.1 The Environment Portfolio budget includes the following real changes: -

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Additional resources for contract monitoring & business support	157	157	157	157
Absorption of inflation increases for PCNs	96	195	297	401
Increase in Landfill Tax above inflation	76	213	358	511
Increase in refuse/recycling collection costs to reflect additional units	52	104	156	208
Increase in refuse/recycling disposal costs to reflect additional units	82	164	246	328
Budget adjustment as a result of the award of the Dog and Pest Control contract	8	8	8	8
Mobile Phone savings as a result of the transfer of IT services to BT	-4	-4	-4	-4
	467	837	1218	1609

- 7.2 Appendix 1 includes the draft estimate summary sheet, budget variations, notes on the budget variations and the subjective analysis.

Comments from the Executive Director of Environment and Community Services

- 7.3 Expenditure pressures and service risks in relation to services in the Environment Portfolio, are detailed in Appendix 2.

8. PROCUREMENT

- 8.1 The Council will continue to identify opportunities for contract savings including the review of inflation provision and repackaging of contracts and re-negotiation to secure the best value for the Council.

9. IMPACT ON VULNERABLE ADULTS WITH CHILDREN

- 9.1 The draft 2018/19 Budget reflects the Council's key priorities which includes, example, supporting vulnerable adults with children and being ambitious for all our children and young people.

10. POLICY IMPLICATIONS

- 10.1 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.

- 10.2 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

11. FINANCIAL IMPLICATIONS

- 11.1 The financial implications are contained within the overall report.

12. PERSONNEL IMPLICATIONS

- 12.1 Staff, departmental and trade union representatives will be consulted individually and collectively on any adverse staffing implications arising from the Draft 2018/19 Budget. Managers have also been asked to encourage and facilitate staff involvement in budget and service planning.

13. LEGAL IMPLICATIONS

- 13.1 The adoption of the budget and the setting of the council tax are matters reserved for the Council upon recommendation from the Executive. The Local Government Finance Act 1992 (as amended) requires the Council to set an amount of Council tax for each financial year and provides that it must be set before 11th March in the financial year preceding that for which it is set. Sections 73-79 of the Localism Act 2011 amended the calculations, billing and precepting authorities need to make in determining the basic amount of Council tax. The changes included new sections 31 A and 31 B to the Local Government Finance Act 1992 which has modified the way in which a billing authority calculates its budget requirement and basic amount of Council Tax.

- 13.2 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.
- 13.3 The making of these budget decisions at full Council is a statutory responsibility for all Members. Members should also have regard to the changes from the Localism Act relating to council tax increases and the recent introduction of the Adult Social Care precept. The Council has a number of statutory duties which it must fulfill by law – although there can be an element of discretion on level of service provision. The Council also discharges a range of discretionary services. The Council is not bound to carry out such activities in the same way as it is for statutory duties – although it may be bound contractually to do so. A decision to case or reduce provision of a discretionary service must be taken in accordance with sound public /administrative law decision making principles. The Council must also comply with the Public Sector Equality Duties in section 149 of the Equality Act 2010. In doing so, the council must have due regard to elimination of discrimination, harassment and victimization, advance equality of opportunity and foster good relations with persons who share a protected characteristic.
- 13.4 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 adequacy of future year's reserves in making budget decisions and section 25 of that act requires the Director of Finance to report on the robustness of the estimates made for the purposes of calculating the Council Tax and the adequacy of the reserves. Further details to support these obligations will be reflected in the 2018/19 Council Tax report to be reported to the February meeting of the Executive.

Background documents	Contingency Drawdown Homelessness and Temporary Accommodation Pressures, Executive, 10 th January 2018 Treasury Management – Quarter 2 Performance 2017/18 and Mid-year Review, Resources Portfolio Holder and Council, 29 th November 2017 and 11 th December 2017 Capital Programme Monitoring – 2 nd Quarter 2017/18, Executive, 6 th December 2017 Budget Monitoring 2017/18, Executive, 6 th December 2017 London Business Rate Pilot, Executive, 13 th September 2017 Improved Better Care Fund, Executive, 10 th October 2017 London Business Rate Pilot, Executive 13 th September 2017 Locally Administered Business Rate Relief Scheme, 19 th July 2017 2016/17 Provisional Final Accounts. Executive, 20 th June 2017 Provision of Temporary Accommodation, 14 th March 2017 2017/18 Council Tax, Executive 8th February 2017 Government's Four Year Funding Offer, Executive, 14 th September 2016
Financial Considerations	Covered within overall report