
Decision Maker: **Executive**

Date: **13th February 2019**

Decision Type: Non-Urgent Executive Key

TITLE: 2019/20 Council Tax

Contact Officer: Peter Turner, Director of Finance
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Director: Director of Finance

Ward: Borough wide

1. REASON FOR REPORT

- 1.1 This report identifies the final issues affecting the 2019/20 revenue budget and seeks recommendations to the Council on the level of the Bromley element of the 2019/20 Council Tax and Adult Social Care precept. Confirmation of the final GLA precept will be reported to the Council meeting on 25th February 2019. 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 2019/20 but to have measures in place to deal with the medium term financial position (2020/21 to 2022/23).
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2. RECOMMENDATIONS

- 2.1 The Executive is requested to recommend to Council that it:
- (a) Approves the schools budget of £77.644m which matches the estimated level of Dedicated Schools Grant (DSG), after academy recoupment;
 - (b) Approves the draft revenue budgets (as in Appendix 2) for 2019/20;
 - (c) Agrees that Chief Officers identify alternative savings/mitigation within their departmental budgets where it is not possible to realise any savings/mitigation reported to the previous meeting of the Executive held on 16th January 2019;
 - (d) Approves a contingency sum of £11,669k (see section 6);

- (e) Approves the following provisions for levies for inclusion in the budget for 2019/20;

	£'000
Local Pension Partnership *	469
London Boroughs Grant Committee	249
Environment Agency (Flood defence etc.) *	252
Lee Valley Regional Park *	323
Total	1,293

* 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 12);
- (g) Considers the “Bromley element” of the Council Tax for 2019/20 to be recommended to the Council, including a general increase and the Adult Social Care Precept, having regard to possible ‘referendum’ issues (see section 16);
- (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 16.9);
- (j) Agrees that the Director of Finance be authorised to report any further changes directly to Council on 25th February 2019.

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 £159.85m Draft 2019/20 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 2019/20 Financial Control Budget to be published in March 2018
 2. If from existing staff resources, number of staff hours – N/A
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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
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Customer Impact

Estimated number of users/beneficiaries (current and projected) - the 2019/20 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 In considering this report further background information was available through the Members' seminars as follows:
- (a) Members' Finance Seminar on 20th June 2018;
 - (b) Members' Welfare Reform Seminar on 2nd July 2018;
 - (c) Members' Pension Fund Seminar on 5th November 2018.
- 3.2 The 'Draft 2019/20 Budget and Update on the Council's Financial Strategy 2020/21 to 2022/23' was reported to the Executive on 16th January 2019. 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 16th January 2019)

- (a) Approach to Budgeting, Financial Context and Economic Situation which can impact on Public Finances (Section 3 and Appendix 1);
- (b) Provisional Local Government Finance Settlement 2019/20 and Autumn Budget 2018 (Appendix 2);
- (c) Council Tax Levels, Government Funding and Spend Levels (Appendix 3);
- (d) Changes since the 2018/19 Budget that impact on the Financial Forecast (Section 4);
- (e) Latest Financial Forecast (Section 6 and Appendices 5-6);
- (f) Detailed Draft 2019/20 Budget (Section 7 and Appendix 7);
- (g) Options being undertaken with a "One Council" approach (Section 8);
- (h) Future Local Authority Landscape (Section 9);
- (i) The Schools' Budget (Section 11);
- (j) Consultation (Section 16);
- (k) Position by Portfolio – Key Issues/Risks (Section 17 and Appendix 10).

All of the above should be considered with this report as part of finalising the 2019/20 Budget and council tax levels.

4. 2019/20 DRAFT BUDGET AND CHANGES SINCE LAST MEETING OF THE EXECUTIVE

- (a) The last report to the Executive identified a significant 'budget gap' over the four year financial planning period. The main updates are shown below;
- (b) The final Local Government Financial Settlement 2019/20 was announced on 29th January and there were no changes, impacting on Bromley compared with the Provisional Settlement reported to the previous meeting of the Executive;
- (c) The Government did separately announce funding over two years of £210k for Brexit preparation which has been reflected in the 2019/20 Central Contingency Sum;
- (d) The Portfolio Holder for Resources, Commissioning and Contracts Management announced at the last meeting of Council that the Council is proposing an across the board pay increase of 2.25% for Council staff and staff on scale point 4 to 30 will receive a pay award of between 3% and 6% (Inclusive of the 2.25%). Further details are being reported to General Purposes and Licensing Committee on 12th February 2019. The financial impact of this proposal has been included in the Draft 2019/20 Budget;
- (e) A combination of the impact of updates estimate of levies (final outcome awaited) and review of inflation provision has reduced the budget gap in 2019/20 to nil, subject to the outcome of

member decisions on council tax and adult social care precept increases for 2019/20.

5. LATEST FINANCIAL FORECAST

5.1 A summary of the latest budget projections is shown in Appendices 1 and 2 and are summarised in the table below:

	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
Variations Compared with 2018/19 Budget				
Grant Loss	3.6	6.6	9.6	12.6
Cost Pressures				
Increased costs (3.0% 2019/20 then 2.7% per annum)	5.5	12.8	20.0	27.2
Reinstatement of highways maintenance (previously capitalised)	0.0	0.0	0.0	2.5
Total Additional Costs	5.5	12.8	20.0	29.7
Income / Savings				
Acquisition of Residential Properties to Accommodate Homeless (Mears)	-1.0	-1.0	-1.0	-1.0
Additional Income Opportunity (Amey)	-0.2	-0.4	-0.4	-0.4
Additional income from business rate share to reflect new developments in borough and Section 31 funding and increase in business rate base	-1.5	-1.8	-1.8	-1.8
Fall out of London pilot of business rates (as approved by Council 25/9/17) - one year only	2.9	2.9	2.9	2.9
Continuation of London Business Rate Pool 2019/20	-2.2	0.0	0.0	0.0
Business Rates Surplus levy	-0.6	0.0	0.0	0.0
Interest on balances - reduction in income to reflect use of balances and temp. funding for Site G	0.2	0.1	0.3	0.4
Release general provision in contingency for significant uncertainty/variables	-0.7	-0.7	-0.7	-0.7
Savings from recommissioning/retendering of various contracts	-0.1	-0.1	-0.1	-0.1
Savings from Childrens Social Care linked to Invest to Save funding	-0.2	-0.7	-1.0	-1.0
Potential release of draft contingency in future years re provision for risk/uncertainty	0.0	-4.0	-8.0	-8.0
Extra Social Care Funding through Government grants	-3.2	-3.2	-3.2	-3.2
Leisure Service Lease approved by Executive on 28th November 2018	-1.5	-1.5	-1.5	-1.5
Review of staffing across organisation	-0.6	-1.5	-1.5	-1.5
Other savings	-0.4	-1.1	-1.5	-1.5
Total Income / Savings	-9.1	-13.0	-17.5	-17.4
Other Changes (includes use of non-recurring funds)				
Fall out of New Homes Bonus funding	3.2	4.5	5.1	5.6
Real Changes and other Variations	-0.9	-1.3	-1.2	-0.5
Total Other Changes	2.3	3.2	3.9	5.1
ECHS Growth and Mitigation	8.0	17.2	18.5	18.8
Council Tax				
Increase in Council Tax Base to reflect additional properties and increased collection rates	-1.6	-2.3	-2.9	-3.6
Fall out of Collection Fund surplus 2014/15 set aside as one off support towards meeting the funding shortfall in 2018/19	4.9	4.9	4.9	4.9
Fall out of Collection Fund surplus 2015/16 set aside as one off support towards meeting the funding shortfall in 2018/19	0.7	0.7	0.7	0.7
Increase in council tax (assume 2.99% per annum in 2019/20 and 1.99% thereafter)	-4.5	-7.6	-10.9	-14.1
Impact of Adult Social Care Precept (assume 2% per annum)	-3.0	-3.0	-3.0	-3.0
Collection Fund Surplus 2017/18	-6.8	0.0	0.0	0.0
Projection of future year collection fund surplus	0.0	-4.0	-3.0	-2.0
Total Council Tax	-10.3	-11.3	-14.2	-17.1
Remaining "Budget Gap"	0.0	15.5	20.3	31.7

- 5.2 The above table shows, for illustrative purposes the impact of a council tax increase of 4.99% in 2019/20 (including adult social care precept). Each 1% council tax increase generates on-going annual income of £1.5m. The financial forecast assumes that any future increases in the Adult Social Care precept cease beyond 2019/20. It should be noted that the current legislation only provided powers for this precept until the end of 2019/20.
- 5.3 These variations are subject to any final decision on Council Tax levels. Appendix 2 derives an illustrative 'Bromley element' Council Tax of £1,216.26 (2.99% general increase plus 2% adult social care precept) and Appendix 3 includes the Draft 2019/20 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.
- 5.4 Appendix 1 highlights 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 fully funded by a corresponding growth in income. The above projection includes savings previously agreed to reduce the 'budget gap'.
- 5.5 The above table highlights that, although it has been possible to achieve a potential balanced budget for next year even after allowing for significant cost pressures there remains a "budget gap" of £15.5m in 2020/21 rising to £31.7m per annum in 2022/23. The projections in later years have to be treated with some caution, particularly as the Government's next spending review is expected to be implemented from 2020/21 which will include the revised levels of funding for individual local authorities following the 'Fair Funding' review and Spending Review combined with the awaited outcome of the devolution of business rates income (75% share with GLA).
- 5.6 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 around £97m were realised since 2011/12. Our council has to balance between the needs of service users and the burden of council tax on council tax payers. With the Government placing severe reductions in the level of grant support, the burden of financing increasing service demand falls primarily upon the level of council tax and business rate income.
- 5.7 Further changes will be required, prior to the report to full Council on 25th February for the finalisation of the Council Tax, to reflect latest available information on levies, and the GLA precept.
- 5.8 The reasons for the budget gap by 2022/23 include, for example:
- (a) inflation pressures partly offset by assumed council tax increase (2.99% in 2019/20 and 1.99% thereafter) and social care precept (2019/20 only) of 2% leaving a balance required of £10.1m;
 - (b) Loss of core grant funding of £12.6m;
 - (c) Growth/cost pressures less mitigation of £18.8m relating to education, social care and housing. If further growth pressure continues in these areas, as well as other areas, the future years 'budget gap' could increase;

- (d) Additional income of £3.2m from Government social care funding assumed to continue beyond 2019/20 which partly offsets the social care cost/growth pressures;
- (e) Savings from reduction in the Council's provision for risk/uncertainty held within the Central Contingency Sum (savings of £8m per annum).
- (f) Other variations leading to an increase of £1.4m;

5.9 Even using a 'best case scenario' that there are no government grant reductions after 2019/20, the final budget gap in future years will remain significant (£22.7m).

6. DRAFT 2019/20 CENTRAL CONTINGENCY SUM

- 6.1 Details of the 2019/20 Draft Contingency Sum of £11,669k have been included in Appendix 3. This sum includes a provision for risk/uncertainty in the future included in the base budget. There remains a need to consider a significant provision in the central contingency sum to allow for unforeseen costs, prevent drawing from reserves to fund overspends, to reflect the impact of new burdens introduced after the budget was set, to cover the impact of savings and mitigation of growth not realised and, as in the past, enable funding of key initiatives and investment opportunities.
- 6.2 It is important to recognise that this sum also 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 2019/20 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 2019/20 Budget.
- 6.3 The updated financial forecast assumes the release of £4m in 2020/21 and £8m per annum from 2021/22 to directly support the revenue budget.

7. GENERAL AND EARMARKED RESERVES

- 7.1 Appendix 4 of this report highlights the Council's approach to utilising reserves and the significant value in retaining reserves. The level of reserves needs to be adequate to ensure the longer term stewardship of the Council's finances remain effective and the Council maintains 'sustainable' finances in the medium term. Medium term planning remains absolutely key in recognition of the ongoing 'structural' budget deficit facing the Council. Inflation, new burdens, growth/cost pressures and ongoing reductions in Government funding has created the structural budget deficit. Reserves are one off monies and do generate income and should only be used where no other savings/efficiencies can be identified or to plug the gap (short term) for the phasing of savings.
- 7.2 The Council will have retained previous years collection fund surpluses totalling £5.7m by the end of 2018/19 (which is normally credited to revenue budgets) as well as a financial management and risk reserve of £10m (both included within earmarked reserves) which can support any planned transition in delivering significant savings to meet the budget gap. However, any medium or longer term utilisation of one off resources and reserves to support the revenue budget are unsustainable and place the council at greater financial risk in the future.
- 7.3 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 the resultant

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.

- 7.4 The Council had general reserves remaining of £20m as at 31/3/2018. A full breakdown of reserves, including earmarked reserves, is detailed in Appendix 4.

8. 2018/19 BUDGET MONITORING

- 8.1 The most recent budget monitoring position was reported to Executive on 28th November 2018. The report identified an overall net underspend of £374k but highlighted full year costs of £5.2m. The majority of these costs relating to Adult Care and Health Services (£1.9m) and Education, Children and Families (£2.2m) have been included in the 2019/20 Budget. The Government's additional funding for social care in 2019/20 (£3.2m) has been utilised towards meeting these full year costs.

9. THE SCHOOLS BUDGET

- 9.1 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).
- 9.2 The implementation of the National Funding Formula (NFF) began in 2018/19. Funding has been split into four new blocks, Schools, High Needs, Early Years and Central Spend DSG. The funding splits are detailed in the table below:-

PROVISIONAL DSG FUNDING					
	Schools	High Needs	Early Years	Central	Total
	£'000	£'000	£'000	£'000	£'000
2018/19	205,352	47,722	20,697	1,965	275,736
2019/20	208,637	48,821	20,691	1,938	280,087
Variation	3,285	1,099	-6	-27	4,351

- 9.3 The Schools Block has risen by £3m. This is due to an increase in the per pupil funding and increases in the secondary schools population.
- 9.4 The High Needs Block is seeing pressures coming through the system. Although there are increases in funding, predictions for expenditure are rising at a faster rate. This is due to growth in pupil numbers in this area, Government extending the scope of the High Needs Block from ages 5 to 19 to 0 to 25 and historical baseline funding adjustments. On the 17th December 2018, the government announced additional funding in the High Needs block of £250m nationally (£125m in both 2018/19 and 2019/20). The increase for Bromley is £788k. This is reflected in the figures above. Even with this additional funding there continues to be pressures in this block. It is proposed to fund a further £106k from core LBB funding to support the High Needs Block in 2019/20.

- 9.5 Early Years funding has remained static. Funding will be adjusted in year based on take up of provision.
- 9.6 The Central Block has decreased as expected. However, this has been offset slightly by an increase in funding based on pupil number increases. There continues to be pressures in the Central Schools DSG due to funding shortfalls. In previous years this has been managed by using DSG carried forward from previous years. However this is now not a sustainable option and £250k of core LBB funding is being proposed to be used to underpin this.
- 9.7 In 2018/19 the Council contributed £1m of core funding to support the DSG. Current predictions suggest that there will be a further funding shortfall of between £0.4m and £2.0m p.a. for the next 3 years across the DSG expenditure areas, mainly in the High Needs Block.
- 9.8 The DSG continues to be ringfenced for funding the provision of Education, the vast majority of this has to be passed directly to maintained schools and academies. Further ringfencing arrangements introduced under the National Funding Formula mean that as a rule no funding can move between individual blocks.
- 9.9 However a disapplication to these arrangements can be made. Bromley requested a transfer of £1m (about 0.5% of the Schools Block Grant) from the Schools Block to the High Needs Block which was rejected by the Schools Forum. Bromley has therefore forwarded the case to the DfE for their consideration. A decision is expected shortly. It is assumed in the budget that this will be successful. Last year in 2018/19 the same process was carried out. DfE approved the transfer of £1m to the High Needs Block.
- 9.10 If the disapplication request is approved it is proposed to set aside £788k of funding in a reserve (the equivalent of the recently announced additional funding) which will be committed to the new provision for children with ASD which the Council are seeking to develop within the borough with the intention of reducing costs in subsequent years.
- 9.11 If the disapplication request is refused then the funding (£788k) will be offset against the anticipated £1m shortfall from the Schools Block and will contribute to addressing current pressures in the High Needs Block.
- 9.12 The use of DSG is subject to consultation with the Schools Forum and this also went to the Education, Children and Families Budget and Performance Sub-Committee on the 23rd January 2019. At the time of writing this report, this is subject to the formal agreement of the Education, Children and Families Portfolio Holder.

10. LEVIES

- 10.1 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 25th February 2019. 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.

11 COLLECTION FUND

- 11.1 It is a statutory requirement to maintain a Collection Fund at arm's length from the remainder of the Council's accounts.
- 11.2 The Council has a non-recurring collection fund surplus of £8.5m reflected in the '2017/18

Provisional Final Accounts' report to Executive on 21st May 2018. The surplus income is mainly due to good debt recovery levels, an increase in new properties in the borough and the successful continuing 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 £1.7m will be allocated to the GLA and £6.8m to the Council. The financial forecast assumes that the surplus will be used towards reducing the Council's "budget gap" in 2019/20.

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

12. THE GREATER LONDON AUTHORITY PRECEPT

- 12.1 The GLA's 2019/20 Draft Budget has been issued for consultation and includes proposals for an increase of 8.93% in existing GLA precept levels for 2019/20. The final GLA precept for 2019/20 is expected to be announced after the Assembly has considered the Mayor's draft consolidated budget on 25th February 2019.

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

- 13.1 The latest estimated general fund (revenue) balance at 31st March 2019, as shown in the 'Budget Monitoring 2018/19' report to the 28th November 2018 meeting of Executive, is provided below:

	2018/19 Projected Outturn £Million
General Fund Balance as at 1 st April 2018	20.0
Impact of net projected underspends reflected in the 2018/19 budget monitoring report	+0.4
Adjustment to Balances: Carry forwards (funded from underspends in 2017/18)	-1.5
Estimated General Fund Balance at 31 st March 2019 (end of year)	18.9

- 13.2 Bromley's Capital programme is mainly funded by external government grants, contributions from TfL and from general capital receipts. However there are two schemes that will be funded through internal borrowing (Site G and Depot Improvement Schemes) on the basis that a significant capital receipt will be realised at a later date to repay the internal loan.
- 13.3 The latest capital programme funding projections indicate that the Capital Programme will not require significant levels of funding from the Councils General Fund reserve.
- 13.4 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.

- 13.5 Details of the Council's Building Maintenance Programme and associated costs will be reported to a future meeting of the Executive. No significant changes in the overall cost of the programme have been assumed in the 2019/20 Budget, at this stage.

14. CONSULTATION

- 14.1 Executive, at its meeting on 16th January 2019, requested that the 'Draft 2019/20 Budget and Update on Council's Financial Strategy 2020/21 to 2022/23' 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 25th February 2019 where the 2019/20 Budget and Council Tax will be agreed.
- 14.2 Two separate resident association meetings were held on 27th November 2018 and 29th November 2018 relating to 'Looking to the Future'. The outcome was reported to the previous meeting of the Executive.
- 14.3 A meeting has recently taken place with the Schools Forum to consider the Draft DSG 2019/20 Budget. Head Teachers and Governors were consulted on the transfer of funding from the Schools Block to the High Needs Block. Although the Schools Forum refused the request, the Council submitted a disapplication request to DfE. The Council are currently awaiting a decision from the Secretary of State.
- 14.4 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.

15. POSITION BY DEPARTMENT – KEY ISSUES/RISKS

- 15.1 There remain risks arising from the future scale of budget savings required to address the budget gap, mitigation against growth pressures, 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.
- 15.2 Details of the potential risks which will be faced in future years, as part of finalising the 2019/20 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.

16. COUNCIL TAX LEVEL 2019/20

- 16.1 The GLA's 2019/20 Draft Budget was issued for consultation and includes proposals for an increase of 8.93 % in existing GLA precept levels for 2019/20. The final GLA Precept for 2019/20 is expected to be announced after the Assembly has considered the Mayor's draft consolidated budget on 25th February 2019.
- 16.2 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 £1,158.48 in 2018/19 and a further sum of £294.23 for the GLA precept (providing a total Band D equivalent Council Tax of £1,452.71).

- 16.3 For 2019/20 every £1m change in income or expenditure causes a 0.7% variation in the 'Bromley element' of the Council Tax. Each 1% council tax increase generates ongoing annual income of £1.5m.
- 16.4 As part of the Localism Act, any council tax increase of 3 % or above in 2019/20 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 £600k.
- 16.5 The Government has enabled the Council in 2019/20 to have a council tax precept of up to 2% per annum to specifically fund adult social care (a 2% increase in council tax equates to £3.0m additional income per annum). The Government recognises that the precept can also include, for example, funding the additional cost of the Living Wage. Councils are able to levy the precept on top of the existing freedom to raise council tax by up to 2.99% without holding a referendum. Therefore, the Council could potentially have a council tax increase of just below 5% without the need for a council tax referendum. The financial forecast assumes the precept could not continue beyond 2019/20. The Council's ability to raise income through an increase in the council tax and the adult social care precept is reflected in the overall level of Government funding received by the Council.
- 16.6 If the Council chose to agree a Bromley element 4.99% council tax increase, including the 2% Adult Social Care Precept, and the GLA Precept was increased by 8.93% there would be an overall combined council tax increase of around 5.79%. This would equate to an overall Council Tax (Band D equivalent) of £1,536.77 consisting of the Bromley element of £1,216.26 and GLA precept of £320.51.
- 16.7 The table below identifies the changes required to the draft 2019/20 Budget to achieve different levels of increases in the Bromley element of the council tax. An increase of 4.99%, including 2% for the Adult Social Care Precept, has been assumed in the 2019/20 Draft Budget at this stage.

Increases in Council Tax Levels

Bromley Element % Increase in 2018/19 including Adult Social Care Precept	Additional Income 2019/20 £'m
Freeze	NIL
1.0	1.5
2.0	3.0
3.0	4.5
3.99	6.0
4.99*	7.5
6.0^	9.0

*Assumed in draft 2019/20 Budget. Adult social care precept of 2% equates to additional income of £3.0m per annum. ^ Would be subject to a council tax referendum

- 16.8 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 2019/20 but also the longer term impact over the four year forecast period.
- 16.9 The Council Tax Referendum Principles were confirmed, as part of the final Local

Government Finance Settlement 2019/20. Any final recommendations on council tax levels will need to take into account any changes to statutory requirements.

- 16.10 Bromley has the second lowest settlement funding per head of population in 2018/19 for 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. Further details were reported to the previous meeting of the Executive.
- 16.11 Members are asked to consider the impact of the latest draft budget on the level of Council Tax for 2019/20, having regard to all the above factors, including the Director of Finance comments in Sections 18.6, 18.7 and Appendix 4.

17. FUNDING SETTLEMENT

- 17.1 Details of the Council's representation on the response to the initial consultation on the Government's Fair Funding Review were reported to the previous meeting of the Executive. The Council's response to the Provisional Local Government Finance Settlement 2019/20 is provided in Appendix 5. The Council will continue to engage local MPs and Government ministers to secure a better funding deal for the Council and its residents.

18. MEDIUM TERM FINANCIAL PLANNING

- 18.1 The detailed approach of the Council towards budgeting over the medium to longer term was reported to Executive on 16th January 2019 and the Draft 2019/20 Budget and future years' forecasts reflect the impact of this approach.
- 18.2 Although the London Business Rate Pilot provides additional income in 2019/20, there is uncertainty on the impact of the full devolution of business rates, awaited Spending Review and the outcome of the Government's 'Fairer Funding' review which may result in new responsibilities for the Council and associated risks. The changes are not expected to be implemented until at least 2020/21 whilst the fiscal squeeze 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.
- 18.3 For financial planning purposes, the financial forecast assumes a council tax increase of 2.99% in 2019/20 and 1.99% per annum over the next three 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 2019/20, the Government's funding reductions assume that Councils could raise alternative funding, to partly offset grant reductions, from council tax increases and utilisation of the Adult Social Care precept. The financial forecast reflects that approach.
- 18.4 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 the fiscal squeeze for local government continuing.

- 18.5 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 balanced budget for next year. To illustrate the benefit of the investment approach the Council has undertaken, budgeted income totaling £15.4m from a combination of treasury management income and rents from investment and operational properties is expected to be realised. Without this income, equivalent service reductions may be required. Utilisation of the remaining uncommitted Growth and Investment Fund monies will be prioritised for housing investment, at this stage, given the need to reduce the significant cost pressures on homelessness and the opportunities for invest to save. 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 has already undertaken secure lending to a developer which generates interest income of 6% per annum and also supports a homelessness initiative. The Council remains debt free and has resources to encourage and invest in innovation and new types of investment for the future.
- 18.6 The background to the impact of real reductions in government funding within the local authority landscape was reported to the last meeting of the Executive. Bromley has delivered savings of over £97m since 2011 and has a low cost base which makes further savings more challenging. Real term reductions in Government funding, future year cost pressures and new burdens are expected to continue over the next four years. CIPFA have provided advice to local authorities on the financial stress warning signs:
- Running down reserves – a rapid decline of reserves;
 - A failure to plan and deliver savings in service provision to ensure a council lives within its resources;
 - Shortening medium-term financial planning horizons – perhaps from four to three years to two years or even one year – this would indicate lack of strategic thinking and unwillingness to confront tough decisions;
 - Greater ‘still to be found’ gaps in saving plans – identifying savings for the next financial year only and not beyond;
 - Growing tendency for departments to have unplanned overspends and/or carrying forward undelivered savings in the following year.
- 18.7 The Council is ‘better placed’ than many other authorities due to remaining debt free, has retained adequate level of reserves and maintained adequate provisions in the Council’s revenue budget for unforeseen costs and risks. The Council has maintained four year financial planning despite the future funding uncertainty (awaited Spending Review, Fair Funding review and devolution of business rates from 2020/21) and it remains essential that action is taken to address any in year overspends, recognising that there could be a full year impact which could increase the ‘budget gap’ further. Apart from continuing the ‘One Council’ approach as reported to the previous meeting of the Executive, the further new measures relating to the Transformational Review and Core Statutory Minimum Requirements review are essential to identify options from 2020/21 to address the medium term budget gap and ensure the Council can continue to ‘live within its means’. It also remains essential that Chief Officers identify mitigating action to address any in year cost pressures/new burdens to remain within their ‘cash envelope’. Commentary on the level of reserves and robustness of the 2019/20 Budget are provided in Appendix 4.
- 18.8 Stewardship and delivering sustainable finances are increasingly important whilst cost

pressures and the Government's fiscal squeeze continues. 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.

19. IMPACT ON VULNERABLE ADULTS WITH CHILDREN

- 19.1 The Draft 2019/20 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.

20. POLICY IMPLICATIONS

- 20.1 The Council's key priorities include, for example:

- 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.

- 20.2 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.

21. PERSONNEL IMPLICATIONS

- 21.1 Staff, departmental and trade union representatives will be consulted individually and collectively on any adverse staffing implications arising from the Draft 2019/20 Budget. Managers have also been asked to encourage and facilitate staff involvement in budget and service planning.

22. LEGAL IMPLICATIONS

- 22.1 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.
- 22.2 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.

- 22.3 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.
- 22.4 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.
- 22.5 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.
- 22.6 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.
- 22.7 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.
- 22.8 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.
- 22.9 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	<p>Treasury Management – Annual Investment Strategy 2019/20 and Quarter 3 Performance 2018/19, Executive, Resources and Contracts PDS Committee and Council, 7th February 2019 and 25th February 2019</p> <p>Capital Programme Monitoring Q3 2018/19 and Capital Strategy 2018 to 2022, Executive and Council, 7th February 2019 and 25th February 2019</p> <p>Draft 2019/20 Budget and Update on Council’s Financial Strategy 2020/21 to 2022/23, Executive, 16th January 2019</p> <p>Budget Monitoring 2018/19, Executive, 28th November 2018</p> <p>Insurance Fund – Annual Report 2017/18, Executive, Resources and Contracts PDS Committee, 11th October 2018</p> <p>2017/18 Provisional Final Accounts. Executive, 21st May 2018</p> <p>2018/19 Council Tax, Executive, 7th February 2018</p>
Financial Considerations	<p>Covered within overall report</p>

FINANCIAL FORECAST 2020/21 TO 2022/23

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Bromley's Budget Requirement in 2018/19 (before funding from Formula Grant)	192,567	192,567	192,567	192,567	192,567
Formula Grant and Business Rate Share	-41,960	-41,960	-41,960	-41,960	-41,960
	150,607	150,607	150,607	150,607	150,607
Grant Loss					
Reduction in Government Funding - core grant		3,600	7,180	11,000	15,000
Reversal of negative RSG (one year only)		-2,300	0	0	0
General reduction in grant funding		2,300	2,300	2,300	2,300
General reduction in grant funding		-500	-500	-500	-500
General reductions in government funding		500	1,000	1,000	1,000
Grant adj 19/12/18		0	-3,380	-4,200	-5,200
Reduction in Government Core Funding		3,600	6,600	9,600	12,600
Cost pressures					
Increased costs (3.0% 2019/20 then 2.7% per annum)		5,252	12,530	19,722	26,929
Universal credit roll out - consequential impact on claimant fault overpayment recoveries		250	250	250	250
		5,502	12,780	19,972	27,179
Reinstatement of highways maintenance (previously capitalised)					2,500
Education, Care and Health Services (reduction in SEN funding shown below)		0	0	0	0
Total additional costs		5,502	12,780	19,972	29,679
Income/Savings					
Savings from office accommodation review (after allowing for savings from Bromley Town Hall)		0	-510	-510	-510
Acquisition of residential properties to accommodate the homeless (Mears)		-982	-982	-982	-982
Additional Income Opportunity (Amey)		-200	-445	-445	-445
Additional income from business rate share to reflect new developments in borough and Section 31 funding and increase in business rate base		-1,450	-1,750	-1,750	-1,750
Fall out of London pilot of business rates (as approved by Council 25/9/17) - one year only		2,900	2,900	2,900	2,900
Continuation of London Business Rate Pool 2019/20		-2,200	0	0	0
Business Rates Surplus levy		-600	0	0	0
Interest on balances - reduction in income to reflect use of balances and temp. funding for Site G		200	100	300	400
Release general provision in contingency for significant uncertainty/variables		-700	-700	-700	-700
Savings from recommissioning/ retendering of various contracts		-68	-89	-113	-113
Savings from children's social care linked to invest to save funding		-250	-750	-1,000	-1,000
Potential release of draft contingency in future years re provision for risk/uncertainty		0	-4,000	-8,000	-8,000
Extra Social Care Funding through Government grants		-3,224	-3,224	-3,224	-3,224
Leisure Service Lease approved by Executive on 28th November 2018		-1,515	-1,484	-1,484	-1,484
Review of staffing across organisation		-600	-1,500	-1,500	-1,500
Other savings		-433	-533	-983	-983
		-9,122	-12,967	-17,491	-17,391
Other changes					
Fall out of New Homes Bonus funding		3,260	4,440	5,120	5,540
Real Changes and other Variations		-928	-1,270	-1,252	-457
		2,332	3,170	3,868	5,083
Council Tax					
Assumed increase in council tax base number of properties		-1,650	-2,300	-2,950	-3,600
Fall out of Collection Fund surplus 2014/15 set aside as one off support towards meeting the funding shortfall in 2018/19		4,912	4,912	4,912	4,912
Fall out of Collection Fund surplus 2015/16 set aside as one off support towards meeting the funding shortfall in 2018/19		730	730	730	730
		156,911	163,532	169,248	182,620
Education, Care and Health Services Growth and Mitigation Summary					
Education		1441	3151	3180	2754
Children's Social Care		3,149	3,936	3,500	3,110
Adults Social Care		2,108	7,492	8,662	9,625
Health support to schools		0	301	603	603
Housing		1,313	2,362	2,589	2,737
Total growth/cost pressures		8,011	17,242	18,534	18,829
Budget Requirement		164,922	180,774	187,782	201,449
2018/19 Council Tax Income		-150,607	-150,607	-150,607	-150,607
Increase in council tax (assume 2.99% per annum in 2019/20 and 1.99% thereafter) *		-4,503	-7,650	-10,859	-14,132
Impact of Adult Social Care Precept (assume 2% per annum) *		-3,012	-3,012	-3,012	-3,012
Budget Gap before use of Estimated collection fund surplus		6,800	19,505	23,304	33,698
Projection of future years collection fund surplus			-4,000	-3,000	-2,000
Council tax Collection Fund Surplus 2017/18		-6,800	0	0	0
Future estimated collection fund surplus		-6,800	-4,000	-3,000	-2,000
Revised Budget Gap after allowing for growth/cost pressures and draft savings identified		0	15,505	20,304	31,698

* Included for illustrative purposes. Any decision on council tax and adults social care precept levels will be part of the annual council tax setting meeting. The 2019/20 Budget includes income from investment properties and treasury management of £15.4m per annum

SUMMARY OF DRAFT 2019/20 REVENUE BUDGET – PORTFOLIO

2018/19 Final Budget £'000	Portfolio/Item	2019/20 Draft Budget £'000	2019/20 Band "D" Equivalent £
82,546	Education	84,310	641.49
Cr 76,771	Less costs funded through Dedicated Schools Grant	Cr 77,644	Cr 590.77
5,775	Sub total	6,666	50.72
34,493	Children's Social Care	37,286	283.70
67,267	Adult Care and Health	69,448	528.41
30,546	Environment & Community Services	31,644	240.77
2,424	Public Protection and Enforcement	2,425	18.45
13,971	Renewal, Recreation and Housing	15,932	121.22
32,916	Resources, Commissioning & Contracts Management	31,822	242.12
3,907	Non Distributed Costs & Corporate & Democratic Core	3,986	30.33
191,299	Total Controllable Budgets	199,209	1,515.72
12,056	Total Non Controllable Budgets	11,768	89.54
Cr 759	Total Excluded Recharges	Cr 792	Cr 6.03
202,596	Portfolio Total	210,185	1,599.23
Cr 10,646	Reversal of Net Capital Charges	Cr 10,265	Cr 78.10
Cr 3,491	Interest on General Fund Balances	Cr 3,291	Cr 25.04
Cr 2,256	New Homes Bonus - Support for Revenue Budget	-	-
2,210	Utilisation of Prior Year Collection Fund Surplus/Set Aside	-	-
14,278	Central Contingency Sum	11,669	88.79
	Levies		
455	- Local Pension Partnership*	469	3.57
248	- London Boroughs Grants Committee	249	1.89
245	- Environment Agency *	252	1.92
314	- Lee Valley Regional Park *	323	2.46
203,953	Sub Total	209,591	1,594.72
Cr 41,960	Business Rate Retention	Cr 39,810	Cr 302.90
-	Business Rate Levy	Cr 600	Cr 4.57
Cr 7,852	Collection Fund Surplus	Cr 6,800	Cr 51.74
Cr 3,534	New Homes Bonus	Cr 2,530	Cr 19.25
150,607	Bromley's Requirement (excluding GLA)	159,851	1,216.26

* Final allocations awaited

** There may be further amendments to reflect any changes to the Portfolio structure for 2019/20

2019/20 CENTRAL CONTINGENCY SUM

£'000

Renewal and Recreation

Planning appeals - changes in legislation	60
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Grants included within Central Contingency Sum

Tackling Troubled Families Grant Expenditure	235
Tackling Troubled Families Grant Income	Cr 235

Adult Social Care Expenditure	500
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Brexit Preparation Funding Expenditure	210
Brexit Preparation Funding Income	Cr 210

General

Provision for Unallocated Inflation	3,337
General provision for risk/uncertainty	2,219
Provision for risk/uncertainty relating to volume and cost pressure	2,182
Increase in Cost of homelessness/impact of welfare reforms	1,825
Impact of Chancellor's Summer Budget 2015 on future costs	1,158
Universal credit roll out - impact on claimant fault overpayment recoveries	750
Additional SEN funding	788
Growth for waste services	587
Further reduction to government funding	389
Retained Welfare Fund	450
Deprivation of Liberty	118
Other Variations	109
Savings to be allocated - review of staffing	Cr 600
Continuation of London Business Rate Pool	Cr 2,200
	<u>11,669</u>

There will be further changes to the Central Contingency to reflect allocations to individual Portfolio budgets prior to publication of the Financial Control Budget.

LEVEL AND USE OF RESERVES AND ROBUSTNESS OF THE 2019/20 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 £18.9 million as at 31st March 2019 (as reported to Executive on 28th November 2018), 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 had 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 £18.9m.
- 2.5 The most significant gain to balances was following the housing transfer to Broomleigh in 1992 (now part of Clarion). 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 few years which should enable the current level of balances to be retained. This position depends on the cost of any future proposed scheme not currently included in the capital programme and is also affected by the Council's ability to realise future sales/disposals to generate capital receipts to avoid seeking funding from the Council's revenue budget or reserves.
- 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 more '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, the Director of Finance continues to recommend 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' with higher amounts being retained for specific purposes;

- (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.

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 1/4/18 £'000	Estimated Net Movement £'000	Balance at 31/3/19 £'000	Estimated Movement £'000	Estimated Balance at 31/3/20 £'000
EARMARKED BALANCES	£'000	£'000	£'000	£'000	£'000
LPSA/LAA Reward Grant Investment Fund	231	-	231	-75	156
Technology Fund	1,755	3528	5,283	-2286	2,997
Town Centre Improvement Fund (LABGI)	55	-	55	-	55
Transformation Fund	2,796	-672	2,124	-700	1,424
Investment to Community (Resources)	468	-26	442	-	442
Works to Property	100	-	100	-	100
Planning Services Charging Account	193	-27	166	-	166
Government Grants (c/fwd from previous years)	5,137	750	5,887	-3,625	2,262
Invest to Save Fund	15,972	1027	16,999	940	17,939
One off Member Initiatives	1,167	-243	924	-	924
Infrastructure Investment Fund	1,868	-1439	429	-	429
Commissioning Authority Programme	555	-174	381	-126	255
Health & Social Care Initiatives – Promise Programme	3,953	-1,500	2,453	-2453	0
Housing Strategy Trading Account	25	-	25	-	25
Community Right to Bid & Challenge	46	-	46	-	46
Investment Fund	6,197	-199	5,998	-1,527	4,471
Winter Pressures Reserve	2,010	-	2,010	-	2,010
Refurbishment of War Memorials	13	-	13	-	13
Key Health & Social Care Initiatives	1,700	-	1,700	-1047	653
Integration of Health & Social Care Initiatives	864	750	1,614	-	1,614
Collection Fund Surplus Set Aside	11,313	-5,642	5,671	-	5,671
Healthy Bromley Fund	3,815	-	3,815	-	3,815
Glaxo Wellcome Endowment	143	-13	130	-7	123
Cheyne woods & Cyphers Gate	153	-10	143	-10	133
Public Halls Fund	7	-	7	-	7
Future Repairs of High Street Properties	43	12	55	12	67
Parallel Fund	2,700	-	2,700	-	2,700
Growth Fund	23,152	-138	23,014	-5,588	17,426
Health & Social Care Integrated Commissioning Fund	4,550	-1250	3,300	-	3,300
Financial Planning & Risk Reserve	10,000	-	10,000	-	10,000
Bromley Welfare Fund	860	-134	726	-125	601
Payment in Lieu Reserve for Temporary Accommodation	122	27	149	27	176
Business Rate Risk Reserve	4,200	-	4,200	-	4,200
Sub Total B/fwd	106,163	-5,373	100,790	-16,590	84,200

Description	Balance at 1/4/18	Estimated Net Movement	Balance at 31/3/19	Estimated Movement	Estimated Balance at 31/3/20
EARMARKED BALANCES	£'000	£'000	£'000	£'000	£'000
Sub Total C/fwd	106,163	-5,373	100,790	-16,590	84,200
One Off Expenditure 2016/17 (inc. TFM contract)	97	-	97	-	97
Crystal Palace Park Improvements	82	-82	0	-	0
Various Joint Schemes and Pump Priming Investments	4,145	-955	3,190	-124	3,066
Transition Fund	2,590	-30	2,560	-30	2,530
Children's Social Care Transition Fund	750	-750	0	-	0
Environmental Initiatives	500	-36	464	-	464
Planning/Planning Enforcement	197	-97	100	-100	0
Apprenticeship Scheme	200	-34	166	-94	72
Civic Centre Development Strategy	257	-	257	-100	157
CSC Recruitment & Retention	422	-422	0	-	0
Future Professional Advice for Commissioning	147	-	147	-50	97
Utilisation of New Homes Bonus	2,256	-2,256	0	-	0
Future Pensions Risk on Outsourcing	203	349	552	352	904
West Wickham Leisure Centre & Library Development	993	-993	0	-	0
Income Equalisation Reserve	1,086	-	1,086	-	1,086
Sub Total	120,088	-10,679	109,409	-16,736	92,673
PROVISIONS					
Insurance Fund	3,717	30	3747	295	4,042
OTHER					
School Budget Share Funds	2,219	-130	2089	-2,089	0
Total Estimated Reserves	126,024	-10,779	115,245	-18,530	96,715

3.2 The report highlights the ongoing 'budget gap' (see 5.1 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 six 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. Further opportunities will be explored to provide invest to save to mitigate against the significant cost pressure of homelessness. 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 any 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 was 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 was 91% funded with a total deficit of £71m (including other non-council employees) – this figure reduces to £40m if non-council employees are excluded. The triennial actuarial valuation impacted on the budget from 2018/19 to 2019/20 and the next valuation will impact on the period 2020/21 to 2022/23.

4. Budget Assumptions

4.1 Treatment of Inflation and Interest Rates

Despite the increase in the Bank of England base rate from 0.50% to 0.75%, there has been very little impact on interest income from lending to banks. This is partly due to banks continuing to have access to lending from central government at very low rates as well as the strengthening of 'balance sheets' reducing the need to borrow. In addition, the utilisation of the investment and growth fund as well as the Highways Investment Fund, have reduced the resources available for treasury management investment. However, the treasury management strategy has been revised to enable alternative investments of £100m which will generate additional income of around £2m compared with lending to banks. Without the alternative investment strategy, the income would have fallen further in the draft 2019/20 Budget to reflect a reduction in treasury management resources available. The contribution of higher risk and longer term investments within Treasury Management have contributed towards the Council being in the top decile performance (top 10%) against the local authority benchmark group. Further details are included in the 'Treasury Management – Annual Investment Strategy 2019/20 and Quarter 3 Performance 2018/19' report to Resources, Commissioning and Contracts Management Portfolio Holder considered at the meeting of Executive, Resources and Contracts PDS Committee on 7th February 2019, gives more background information

- 4.1.2 A general allowance of 3.0% has been built into the forecast for 2019/20 reducing to 2.7% per annum from 2020/21 for contractual running expenses. This compares with current general RPIX increase of 2.7% (Jan. '19).
- 4.1.3 The 2019/20 Budget includes an across the board pay increase of 2.25% for Council staff and staff on scale point 4 to 30 will receive a pay award of between 3% and 6% (inclusive of the 2.25%), as announced by the Portfolio Holder for Resources,

Commissioning and Contract Management. %). Further details are being reported to General Purposes and Licensing Committee on 12th February 2019.

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 2018/19 and Capital Strategy 2018 to 2022' report elsewhere on the agenda.

4.3 Budget and Financial Management and 'Demand Led' Budgets

- 4.3.1 Bromley has for many years operated multiyear budget planning. The need to meet budget savings has reduced the frequency of budget monitoring. The budget has been prepared to reflect commissioning plans of service areas but also recognising the need to identify mitigation action, where possible, recognising the 'budget gap' for the Council.
- 4.3.2 The major demand led services that currently affect Bromley's budget are homelessness, the impact of welfare reforms, adults and children's social care. The Interim Chief Executive has identified cost/growth pressures impacting on education, housing, adults and children's social care as well as opportunities for the mitigation of costs which have been reflected in the Draft 2019/20 Budget and financial forecast which are summarised below with more details reported to the previous meeting of Executive:

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Growth/cost pressures	16,280	24,699	28,986	33,331
Mitigation	-8,269	-7,457	-10,452	-14,502
Net additional costs	8,011	17,242	18,534	18,829

- 4.3.3 It remains essential that there is the ongoing scrutiny and review of growth/cost pressures, which are mainly unfunded at the present time, with options to help achieve a balanced budget, including any mitigation over the financial forecast period.
- 4.3.4 The draft 2019/20 Budget includes reasonable estimates of likely changes in activity in the next financial year. It is important that Chief Officers identify mitigating action to address any in year cost pressures or other mitigation savings not realised to remain within their 'cash envelope'.

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 Financial Information and Reporting

- 4.5.1 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. 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.

- 4.5.2 The Council will need to continue to adopt a corporate 'One Council' approach in addressing budget pressures and identifying saving options (details reported to last meeting of the Executive).

4.6 Virement Procedures

- 4.6.1 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.

4.7 Risk areas

- 4.7.1 Details were reported to the previous meeting of the Executive.

4.8 Link with other plans/strategies

- 4.8.1 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).

4.9 Insurance Fund

- 4.9.1 The insurance fund is protected by the existence of external catastrophe insurance, which meets large claims. There is a stop loss of £2.5 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 2017/18', considered by the Resources, Commissioning and Contracts Management Portfolio Holder at the meeting of the Executive and Resources PDS Committee on 11th October 2018, gives more background information.

4.10 Funds and the adequacy of provisions

- 4.10.1 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 £15.5m in 2020/21 rising to £31.7m per annum in 2023/23, 'balance sheet' liabilities combined with the significant funding reductions facing the Council. 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.

- 4.10.2 The scale of the medium term "budget gap", coupled with the significant financial uncertainty in the ongoing period of funding reductions 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),

housing invest to save opportunities and other investment options 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.

4.11 Council's Investment Income contributing to supporting key services

4.11.1 The Council's investment income of £15.4m, assumed in the 2019/20 Budget, is shown below:

	£'m
Investment properties funded from the Council's growth fund/investment	6.6
Other investment properties and rental income	5.5
Treasury Management Income	3.3
Total investment income	15.4

4.11.2 The strategy of continuing to generate additional investment income provides funding for key services thus enabling a corresponding reduction in the Council's budget gap.

4.11.3 Historically the Council has acquired investment properties. More recently, since 2011/12 the Council created an investment and growth fund. Background on the use of these funds were reported to the previous meeting of the Executive. At its meeting on 19th July 2017, Executive approved a new property investment criteria:

- Provides a net investment return of 5%;
- Provides a suitable mix of portfolio to mitigate against risks of "all eggs in one basket" i.e. variation in investment portfolio to cover void risk;
- Ability to sell the asset at a future date within a reasonable turnaround period of less than one year;
- Mitigates against problematic tenancy risks e.g. secured tenancy etc ;
- Mitigates against significant repair liabilities which have a downward impact on the investment return i.e. seek full repairing leases from tenants;
- Mitigate against capital value risk – purchase in places where capital values are unlikely to fall in the longer term;
- That opportunities should be explored in economic growth areas as well as the South East. This would be the cities of Manchester and Leeds together with other areas such as Cardiff, Bristol and the Midlands;
- That the lot size should be in excess of £5m;
- That multi-let investment opportunities which provide suitable income protection and covenant should be considered taking into account management costs.

4.11.4 The Council has used existing resources in acquiring investment properties and has not utilised the option of borrowing. A combination of ensuring the criteria above is met, decisions by Executive taking into account the professional advice Cushman and Wakefield and not utilising borrowing to fund the acquisitions helps ensure that the primary driver of sustainable income is met which is critical to support key services. The Council being prepared to retain the investment assets through any future recession period significantly reduces the longer term capital risk of the investment. Utilisation of the remaining uncommitted Growth Fund and Investment Fund will be prioritised for housing investment at this stage.

4.11.5 Details of the approach to treasury management is being reported to Executive, Resources and Contracts PDS meeting on 7th February 2019. The treasury management strategy has previously been revised to enable alternative investments of £100m which will generate additional income of around £2m compared with lending to banks. Without the alternative investment strategy, the income would have fallen in the draft 2019/20 Budget to reflect a reduction in treasury management resources available. The contribution of higher risk and longer term investments within Treasury Management have contributed towards the Council being in the top decile performance (top 10%) against the local authority benchmark group. The approach to addressing Security, Liquidity and Yield is addressed in that report.



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Local Government Finance Settlement Team
Ministry of Housing, Communities & Local Government
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10th January 2019

Dear Sir/Madam

BACKGROUND AND SUPPORTING INFORMATION

Provisional 2019/20 Local Government Finance Settlement

The London Borough of Bromley welcomes the opportunity to comment on the provisional Local Government Finance Settlement 2019/20. It is important that this response is considered in the wider context of local government funding cuts and increasing demand for our services.

Local Government has borne the brunt of austerity and savings compared with other areas of Government expenditure. Despite the announcements by the Government that "austerity is over", local government funding remains 'unprotected' and the impact of additional funding for NHS and other 'protected' services results in likely real term funding reductions remaining for local government.

The huge funding pressures on adult social care, children's services and housing / homelessness cannot be ignored and both immediate and longer term funding solutions are required.

Bromley accepted the four-year funding offer on the basis that it provided a minimum funding level and therefore more certainty about future resources. However, this still represents a significant cut in settlement funding of over 50% in real terms over the four-year funding period. This is one of the highest reductions in London and significantly above the England average.

In 2019/20, Bromley has the 4th lowest level of settlement funding in the whole of London despite having the 6th highest population (excluding City of London). We are the largest London Borough in terms of geographical size, have the highest proportion of older people and the largest road network. The associated cost implications are not reflected in our settlement funding which is the 2nd lowest per head of population in the whole of London.

If we received the average level of grant funding, our income would increase by £62m in 2019/20. It is essential that MHCLG reflect an adjustment to the Council's baseline funding position to address historic low funding levels.

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. 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.

Bromley has managed its finances extremely efficiently despite having a low level of government funding and has managed to maintain a low council tax. We have done this by creating a low cost base through many pioneering measures including outsourcing on a large scale, transfer of our housing stock, creation of a leisure trust and relentless cost control. However, this provides further challenges as our scope to achieve savings through efficiencies is significantly reduced compared to other high cost authorities. Despite being a low cost authority, we have achieved ongoing savings of around £97m per annum since 2011/12 but it becomes more challenging to achieve further savings with a low cost base.

London's population is growing at twice the rate of the rest of the country. This brings with it increasing demand for housing as well as other key services including schools, health, social care and transport. Bromley has one of the highest populations in the whole of London and the highest proportion of older people (in both the over 65 and over 85 age groups) leading to increased demand for services at a time of significantly reduced resources.

Inflation is slowly but continuously rising. As an authority that has been proactive in exploring alternative service delivery models, including outsourcing on a large scale, the impact of inflationary pressures is significant and, despite negotiation with our providers, largely outside of our control due to contractual obligations.

We are experiencing increased pressures on our temporary accommodation budgets through rising demand and higher costs. The impact of the benefit cap and LHA levels being frozen means that private rented accommodation is unaffordable for low-income households. Although we have been successful in developing innovative opportunities with external partners to deliver temporary accommodation to help meet increasing demand, this is still not enough. Government must consider how this serious and increasing pressure is managed and funded in the long term.

We, like many others, are facing ongoing increased pressures on our children's social care budgets from rising demand and increasing costs. Recruitment and retention has, for some time, been a challenge resulting in expenditure on high cost agency staff. We have been working hard to address this and been relatively successful in recruitment drives to appoint permanent children's social workers. The high cost of children's placements (LAC) is also causing increasing cost pressures.

There are well publicised and very real pressures in both adult and children's social care services. As these services represent a significant proportion of the Council's overall budget, increasing demand in these areas places a huge cost burden that is unable to be met from within the existing resource base.

Whilst we welcome the introduction of the Adult Social Care Precept and the additional funding announced as part of the Spring Budget 2017 and Autumn Budget 2018, this does not go far enough to meeting the ongoing and increasing demand for these services and fails to address how pressures in both adult and children's social care will be funded on a sustainable and ongoing basis. We welcome Government's commitment to publish a Green Paper on the future of Adult Social Care prior to the local government finance reforms in 2020/21.

It is also notable that, despite repeated representations on this point, no funding has been made available to meet the cost of new burdens including the impact of the national living wage, no recourse to public funds, automatic enrolment, lifting of the public sector pay cap, the impact of the ending of contracting out, the consequences of restrictions on Local Housing Allowances and roll out of universal credit impacting on homelessness and the indexation and equalisation of guaranteed minimum pensions. In addition, the full financial implications of the Homelessness Reduction Act 2017 and Deprivation of Liberty (adult social care) have not been addressed and remains only partly funded. It is important to ensure that any new burdens are fully assessed and funded on an ongoing basis.

With increasing demand for 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.

We acknowledge that the reform of business rates and fair funding review will provide opportunities to fundamentally review how local government is funded in the long term but it is clear that the current system for funding local government is unsustainable. The Fair Funding Review needs to consider the funding requirements for local government to meet key services rather than simply a redistribution of existing government funding without considering the impact of ongoing cost pressures and new burdens combined with the limitations in generating alternative income.

We continue to express concern about the complexity and lack of transparency within the current local government finance system and it is important that this is addressed going forwards. As well as transparency, the future funding system needs to provide certainty and be responsive to changes in demand. The key outcome needs to provide adequate funding for the future sustainability of local government to meet the key services that matter to our residents and taxpayers.

We have previously responded to the "Fair Funding Review: Call for evidence on Needs and Redistribution" and "Fair Funding Review: A Review of Relative Need and Resources – Technical Consultation on Relative Need". We look forward to contributing further and will be responding to the Technical Consultation on the assessment of local authorities' relative needs, relative resources and transitional arrangements shortly. It is imperative that the review is comprehensive; involving full consultation with local government, but also that there is clarity and transparency in setting out the full impact of any proposals. It is also critical that the final funding baselines are published early to support financial planning beyond 2019/20.

Apart from the need for a fairer level of funding, the Council requests the removal of the referendum limit for council tax increases and the continuation of the Adult Social Care precept beyond 2019/20. There should be greater flexibility to extend the precept to fund other key pressure areas such as Children's Social Care and Housing.

The current council tax system means that there is no flexibility for local authorities to ensure that the services important to our residents are adequately funded. To move towards becoming more self-sufficient we need to have complete flexibility in the use of our resources. As well as council tax levels, this also includes the removal of ring-fencing of government grants as well as freedom to generate income which can range from greater control of fees and charges to generating investment income to support key services.

If central government is not prepared to increase the total of centrally allocated resources available, it needs to give local government greater control over its own resources, enhance its range and mixture of revenue raising capabilities and remove ring-fencing of remaining grant funding.

It is critical that Government recognise the underfunding of existing services, provide additional resources and remove restrictions that prevent local authorities from raising or spending their own resources. Rising demand, increasing costs and reduced funding cannot be sustained and we would urge government to use the opportunity afforded by the fair funding review and reforms to business rate retention to fundamentally review the long term funding of local government and ensure we have the flexibility in place to make the best use of our resources for our residents.

We will contribute separately to the draft statutory guidance relating to asset pooling (pension investment matters). It is essential that the Government fully consider the impact of any changes which in some cases could, without change, increase the cost to council tax payers.

This highlights the importance of considering the full impact of any changes affecting local government, whilst funding reductions continue. The Government should consider reviewing the role and duties of local government to match the potential resources available. Councils have faced significant funding reduction since 2010 whilst statutory duties have increased during that period.

Bromley appreciates the opportunity to respond to the consultation and looks forward to the opportunity to respond on the Fair Funding review consultation next month.

We remain keen to work with the Government to find positive solutions that work for our residents and taxpayers but also help address the impact of austerity challenges.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Peter Turner', with a stylized flourish at the end.

Peter Turner
Director of Finance