

Decision Maker: **RENEWAL, RECREATION AND HOUSING POLICY
DEVELOPMENT AND SCRUTINY COMMITTEE**

Date: **Tuesday 21st January 2020**

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

Title: **RENEWAL, RECREATION AND HOUSING PORTFOLIO DRAFT
BUDGET 2020/21**

Contact Officer: Keith Lazarus, Head of Finance, Environment, Community & Corporate
James Mullender, Head of Finance, Adults, Health & Housing
Tel: 020 8313 4312 & 4196
E-mail: Keith.Lazarus@bromley.gov.uk, James.Mullender@bromley.gov.uk

Chief Officer: Director of Finance

Ward: All

1. Reason for report

- 1.1. The prime purpose of this report is to consider the Portfolio Holder's Draft 2020/21 Budget which incorporates future cost pressures and initial draft budget saving options which are being reported to Executive on 15th January 2020. Members are requested to consider the initial draft budget being proposed and also identify any further action that might be taken to reduce cost pressures facing the Council over the next four years.
 - 1.2. Executive are requesting that each PDS Committee consider the proposed initial draft budget savings and cost pressures for their Portfolio and the views of each PDS Committee be reported back to the next meeting of the Executive, prior to the Executive making recommendations to Council on 2020/21 Council Tax levels.
 - 1.3. There are still outstanding issues and areas of uncertainty remaining. Any further updates will be included in the 2020/21 Council Tax report to the next meeting of the Executive.
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2. **RECOMMENDATIONS**

2.1 **The Renewal, Recreation and Housing PDS Committee is requested to:**

- i) **Consider the update on the financial forecast for 2020/21 to 2023/24;**
- ii) **Consider the initial draft 2020/21 budget as a basis for setting the 2020/21 budget; and**
- iii) **Provide comments on the initial draft 2020/21 budget for the February meeting of the Council's Executive.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: Adult Care and Health Portfolio budget setting supports the provision of services to vulnerable adults
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Corporate Policy

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

1. Cost of proposal: Not Applicable
 2. Ongoing costs: Recurring Cost
 3. Budget head/performance centre: Renewal, Recreation and Housing portfolio budgets
 4. Total current budget for this head: £19.804m (draft 2020/21 budget)
 5. Source of funding: Draft revenue budget for 2020/21
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Personnel

1. Number of staff (current and additional): Full details will be available with the Council's 2020/21 Financial Control Budget to be published in March 2020
 2. If from existing staff resources, number of staff hours: Not Applicable
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Legal

1. Legal Requirement: Statutory Requirement: The statutory duties relating to financial reporting are covered within the Local Government Act 1972; the Local Government Finance Act 1998; the Local Government Act 2000; the Local Government Act 2002 and the Accounts and Audit Regulations 2015.
 2. Call-in: Not Applicable
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Procurement

1. Summary of Procurement Implications: Not Applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The 2020/21 budget reflects the financial impact of the Council's strategies, service plans etc. which impact on all of the Council's customers (including council tax payers) and users of the services.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

3. COMMENTARY

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

3.1.1. In considering this report, further background information was available through the Members' seminars as follows:

(a) Members' Welfare Reform Seminar on 14th January 2019;

(b) Members' Finance Seminar on 24th June 2019.

3.1.2. Details of the Provisional Local Government Finance Settlement 2020/21, Council-wide Draft 2020/21 Budget and Financial Forecast 2021/22 to 2023/24, and an update on the Council's financial strategy were reported to Executive on 15th January 2020. Members should consider that report in conjunction with this report for the Renewal, Regeneration & Housing portfolio.

3.1.3. Forward financial planning and financial management is a key strength at Bromley and this has been recognised previously by our external auditors. This report continues to forecast the financial prospects for the next 4 years and includes the outcome of the Provisional Local Government Finance Settlement 2020/21. It is important to note that some caution is required in considering any projections for 2021/22 to 2023/24 as this depends on the outcome of the Government's next awaited Spending Review period as well as the awaited impact of the Fair Funding Review and Devolution of Business Rates.

3.1.4. A strong economy with growth increases revenues which supports the Government's ability to reduce public sector debt as the gap between finances raised and spend on public services is reduced. An "Update on Economic Situation which can impact on Public Finances" is provided in Appendix 1 of the report to the Executive.

3.1.5. 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 or even if funding levels are maintained the ongoing demographic and other costs pressures are unlikely to be matched by corresponding increases in government funding.

3.1.6. The financial forecast assumes ongoing funding reductions from 2021/22, at a significantly lower rate, compared with previous years. The Spending Round 2019 provided funding proposals for one year only and the financial forecast assumes that various elements of the additional funding will continue in future years which may be optimistic. For local government the fiscal squeeze is likely to continue, whilst cost pressures remain and to reflect the ongoing prioritisation of funding for health, education, police and other security services.

3.1.7. The Budget Strategy has to be set within the context of a reducing resource base or at the very least cost and demographic pressures not being matched by Government or other external funding with potential ongoing Government funding reductions in real terms, although at a lower level compared with previous years – 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.

3.1.8. Bromley has the second lowest settlement funding per head of population in 2019/20 for the whole of London, giving us £112 per head of population compared with the average in London of £297 – the highest is £503. 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). If

the council tax was the average of the five other low grant funded Boroughs, our income would increase by £25m. The lower council tax level has been achieved by having one of the lowest costs per head of population in outer London. The Council has expressed and continues to express serious concerns with the current and previous governments about the fairness of the funding system and to lobby for a fairer deal for our residents. Despite being a low cost authority, Bromley has achieved general savings of around £100m since 2011/12 but it becomes more challenging to achieve further savings with a low cost base.

3.2. SUMMARY OF FINANCIAL FORECAST

- 3.2.1. Details of the financial forecast are provided in the Draft 2020/21 Budget and Update on the Council's Financial Strategy 2021/22 to 2023/24 report to the Executive on 15th January 2020. This shows that even though the draft budget would be broadly balanced next year, the future year's budget gap is projected to increase to £16.9m per annum by 2023/24.
- 3.2.2. Even using a 'best case scenario' that there are no government grant reductions over the four year period, the final budget gap in future years will remain (£7.9m).
- 3.2.3. In the financial forecast, after allowing for inflation, council tax income and other changes we have an unfunded budget gap due to reductions in government funding and net service growth/cost pressures. Therefore significant elements of service growth/cost pressures are effectively unfunded. This highlights the importance of scrutinising growth and recognition that corresponding savings will need to be found to achieve a statutory balanced budget. It is timely as we all have to consider what level of growth the Council can afford and the need for significant mitigation or alternative transformation options.
- 3.2.4. 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 £100m have been 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.

3.3. CHANGES SINCE THE 2019/20 BUDGET THAT IMPACT ON THE DRAFT 2020/21 BUDGET AND FINANCIAL FORECAST

- 3.3.1. The 2019/20 Council Tax report reported to Executive in February 2019 identified a significant "budget gap" over the four year financial planning period. Some key changes are summarised below.
- 3.3.2. The Provisional Local Government Finance Settlement 2020/21, which covers 2020/21 only, provides a significant improvement in funding for local government and represents the most positive funding proposal for local government since austerity began 10 years ago. Some of the proposals may ultimately be for one year only which results in uncertainty for future years.
- 3.3.3. The main measure of inflation for annual price increases for the Council's contracted out services is Retail Price Index (excluding mortgage interest rates) i.e. RPIX. This measure is normally up to 1% above the Consumer Price Index (CPI) level. The Draft 2020/21 Budget assumes contract price increases of 2.3% per annum from 2020/21, which compares with the existing RPIX of 2.3%. Increases of 2.5% per annum have been assumed, at this stage, from 2021/22. Action will need to be taken by Chief Officers to fund increasing costs through alternative savings in the event that inflation exceeds the budget assumptions.
- 3.3.4. Given the scale of savings identified and any inherent risks, the need for longer term financial planning, the uncertainty on future year cost pressures, significant changes that may follow

relating to future new burdens, effect of ongoing population increases and the potential impact of other public agencies identifying savings which impact on the Council's costs, a prudent approach has been adopted in considering the Central Contingency Sum required to mitigate against these risks. If the monies remaining are not required during the year the policy of using these resources, in general, for investment, generate income/savings and provide a more sustainable financial position should continue.

- 3.3.5. The 2019 Spending Round included an announcement of additional funding (£1bn nationally) that can be used towards children's social care and adult social care. This equates to £4.2m for Bromley. The additional funding should be considered to partly offset the growth/cost pressures identified in the report to the Executive.
- 3.3.6. With a remaining uncertainty on Government funding available in the future and the ongoing requirement for local authorities to be more self-sufficient, there is a need to consider what significant changes are required to manage within this new environment. The required changes relate to opportunities for partnership working, collaboration, reviewing the approach to managing risks, using technology to enable transformation of our services, helping people help themselves (friends groups) and exploring opportunities around community based place shaping led by the Council as a community leader. The Council will need to plan for significant changes including the risk of a future recession. As pressures in statutory services such as adult social care, children's social care and high needs as well as homelessness are growing, the scope to invest in local priorities and services that benefit the widest range of people is reducing. The Council has delivered savings of around £100m per annum over the last 9 years and as the ability to make savings in lower priority areas becomes more problematic. The need for savings in areas that support the Council's key priorities becomes more critical to meet the legal requirements for a balanced budget. The Council will continue to look for ways to operate more efficiently and generate more income but this alone will not be enough to meet the future years' budget gap. The key consideration is how the Council can balance the budget over the next four years. Apart from the core statutory minimum review, Chief Officers are undertaking a transformational review across all services, focussing on higher spend services first with options being presented to future meetings. The outcome of the transformation review will be a key consideration in addressing the budget gap over the next four years.
- 3.3.7. The Renewal, Recreation & Housing Portfolio Draft 2020/21 Budget includes the first phase of savings identified through the Transformation Programme which equate annual savings of £1.3m in 2020/21, £2.4m in 2021/22, £2.6m in 2022/23 and £2.7m in 2023/24. A summary of the savings are provided below with more details within Appendix 1:

Transformation Savings – Phase 1

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Various Housing Initiatives	1,050	2,185	2,341	2,497
Staffing Vacancy Factor & Other	248	248	248	248
Total	1,298	2,433	2,589	2,745

- 3.3.8. This key work continues and further proposals will be reported to Members as part of addressing the four year financial forecast and meeting the 'budget gap' whilst ensuring key priorities are met.

3.4. DETAILED DRAFT 2020/21 BUDGET

- 3.4.1. Detailed Draft 2020/21 Budgets are attached in Appendix 1 and will form the basis for the overall final Portfolio/Departmental budgets after any further adjustments to deal with service pressures and any other additional spending. Under the budget process previously agreed,

these initial detailed budgets are forwarded to PDS committees for scrutiny and comment prior to the next Executive meeting in February.

3.4.2. Appendix 1 sets out:

- A summary of the Draft 2020/21 Revenue Budget for the Portfolio showing actual 2018/19 expenditure, 2019/20 budget, 2020/21 budget and overall variations in planned spending between 2019/20 and 2020/21;
- A summary of the main reasons for variations for the Portfolio in planned spending between 2019/20 and 2020/21 together with supporting notes;
- A high level subjective summary for the Portfolio showing expenditure on employees, premises etc.

3.5. REVIEW OF FEES AND CHARGES

3.5.1. There will need to be an ongoing review identifying opportunities as the medium term 'budget gap' remains significant. Chief Officers will continue to review fees and charges during 2020/21 to identify opportunities to reduce the future years 'budget gap'

3.6. IDENTIFYING FURTHER SAVINGS/MITIGATION

3.6.1. The scale of savings required in future years cannot be met by efficiency alone – there will be a need for a reduction in the scope and level of services. The Council will need to continue to review its core priorities and how it works with partners and key stakeholders and the overall provision of services. A significant challenge is to consider discretionary services which, if reduced, could result in higher cost statutory obligations. Therefore, it is important to consider the risk of 'unintended consequence' of reducing discretionary services adversely impacting on the cost of statutory services. The Draft 2020/21 Budget includes the first phase of transformation savings identified which are summarised in paragraph 3.3.7. This key work continues and further proposals will be reported to Members as part of addressing the four year financial forecast and meeting the 'budget gap' whilst ensuring key priorities are met.

3.6.2. Local Authorities undertake numerous functions and provide a wide range of services. Some are mandatory and some are discretionary. We cannot stop carrying out functions where we are under a duty to deliver that function or service.

3.6.3. In 2011 Central Government compiled a list of 1,335 statutory duties which local authorities need to comply with. There followed a consultation on a possible reduction in the number of statutory duties. However this was not taken forward at government level, despite local government facing significant grant reductions. The consensus is that rather than decreasing, the number of statutory duties has increased since. For example work recently undertaken on behalf of the Directors of Children's Services indicates that children's services duties have increased by 50% since 2011. Therefore the number of statutory duties Local Authorities need to comply with is now far closer to 2,000 than the 1,335 identified in 2011.

3.6.4. Bromley has undertaken several pieces of work to align its services closely with its statutory duties. As part of the most recent work service leads have completed a template which identifies statutory and non-statutory services within their area to inform and support key Transformation work and each individual work stream is addressing the extent of the statutory service and savings proposed.

3.6.5. As part of the core statutory minimum requirements review, the Council will need to consider an element of early intervention and prevention to avoid the escalation of costs arising from more expensive statutory interventions.

3.7. POSITION BY DEPARTMENT – KEY ISSUES/RISKS

Housing

3.7.1. Housing costs continue to escalate for those qualifying for temporary accommodation. The key challenges continue to centre on:

- The overall lack of access to accommodation that is affordable as a result of reduced lettings and drying up of leased properties.
- Reduced social housing stock turnover silting up temporary accommodation.
- The combined impact of the welfare reform changes – resulting in a greater number of approaches, increased rent arrears and shortfall in rent which requires LBB top up.
- The extended statutory duties arising from the implementation of the Homelessness Reduction Act 2017 since April 2018.
- Complexity of some households approaching requiring intensive support and intervention to access and sustain accommodation.
- Identification of suitable sites through acquisition or land supply and the time taken to develop them to provide sufficient alternative affordable accommodation.

3.7.2. Overall these pressures are likely to rise by a further £2.8m by 2023/24.

3.7.3. There are a range of activities being undertaken to slow down the rate of increase and seek to mitigate the overall costs pressures. However it must be noted that pressures continue to rise and capital schemes regarding housing supply will take several years lead in to design, gain planning consent and complete:

- Costs can best be contained by continuing to focus on early intervention and advice. The service has been redesigned to proactively identify those at risk of homelessness to offer early intervention services prior to crisis and thus reduce the need for temporary accommodation.
- Increasing access to private rented sector accommodation. A new offer has been put in place for landlords to increase the level of access. To date this has achieved 135 PRS lettings for 2018/19.
- Pan-London arrangements to share details on temporary accommodation costs and set benchmark rates to reduce the level of price increases.
- It is clear however that in order to start to mitigate the cost of temporary accommodation, increased housing supply is required. A transformation board is now in operation to pursue the range of options to increase accommodation supply including the use of vacant dwelling, modular units, property purchase and the development of Bromley owned or acquired sites. Cumulatively the schemes identified to date would offer full-year mitigation actions in the region of £9.6m.

Planning Services

3.7.4. A substantial part of Planning Services' work attracts income for the Council, mainly from planning application fees. The fee income and volume of work reflects the wider economic circumstances affecting development pressures in the Borough. There is a risk of income variation beyond the Council's immediate control; however trends are regularly monitored in order that appropriate action can be taken.

- 3.7.5. There is a risk that Section 106 developer contributions are not spent in accordance with the legal agreements, for example in the right location or timescale. Regular reports are made to the ER&C PDS to monitor these.
- 3.7.6. The Community Infrastructure Levy (CIL) is a local levy on developments that local planning authorities can introduce to help fund infrastructure in the area linked to the Local Plan. Implementation is planned for later in 2020/21 following consultation on the charging schedule and will also be subject to independent inspection before adoption. The levy also partly mitigates against future reduced income from Section 106 monies. It is planned to establish an infrastructure delivery team which will have specific responsibility for managing future CIL and S106 receipts, allocation and spending.
- 3.7.7. Action is ongoing to reduce risk of Government Designation for Special Measures due to planning performance.

Regeneration

- 3.7.8. A Regeneration Strategy is in development to ensure that moving forward the Council's Growth Fund is utilised for maximum positive impact for the benefit of residents and local businesses across the Borough. This includes maximising funding opportunities through securing S106 and future CIL monies, creating opportunities for income generation, and leverage in of grant funding whilst aligning the existing Growth Fund with the Regeneration Strategy's Action Plan which will set out the Council's regeneration priorities over the next ten years.
- 3.7.9. As a long term ambition, the Strategy will inevitably involve significant capital investment over a number of years, and therefore there will be the risks to the Council that are associated with large capital projects, including construction industry inflation, cost overruns, unforeseen delays, and the long term security of funding resources, potentially including financing costs. Where schemes are reliant on capital receipts and housing sales, then there would also be the volatility of the property market impact on land and property prices that could affect schemes' viability and affordability.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

- 4.1 The Draft 2020/21 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.

5. POLICY IMPLICATIONS

- 5.1 The Draft 2020/21 Budget enables the Council to continue to deliver on its key priorities and the financial forecast enables medium term financial planning allowing for early decisions to be made which impact on the medium term financial plan. The Council continues to deliver key services and lives within its means.

6. FINANCIAL IMPLICATIONS

- 6.1 Financial implications are contained within the overall body of the report.

7. PERSONNEL IMPLICATIONS

- 7.1 Staff, departmental and trade union representatives will be consulted individually and collectively on any adverse staffing implications arising from the Draft 2020/21 Budget. Managers have also been asked to encourage and facilitate staff involvement in budget and service planning.

8. LEGAL IMPLICATIONS

- 8.1 The adoption of the budget and the setting of the council tax are matters reserved for the Council upon recommendation from the Executive. The Local Government Finance Act 1992 (as amended) requires the Council to set an amount of Council Tax for each financial year and provides that it must be set before 11th March in the financial year preceding that for which it is set. Sections 73-79 of the Localism Act 2011 amended the calculations billing and precepting authorities need to make in determining the basic amount of Council Tax. The changes included new sections 31 A and 31 B to the Local Government Finance Act 1992 which has modified the way in which a billing authority calculates its budget requirement and basic amount of Council Tax.
- 8.2 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.
- 8.3 The making of these budget decisions at full Council is a statutory responsibility for all Members. Members should also have regard to the changes from the Localism Act relating to council tax increases and the recent introduction of the Adult Social Care precept. The Council has a number of statutory duties which it must fulfil by law – although there can be an element of discretion on level of service provision. The Council also discharges a range of discretionary services. The Council is not bound to carry out such activities in the same way as it is for statutory duties – although it may be bound contractually to do so. A decision to cease or reduce provision of a discretionary service must be taken in accordance with sound public /administrative law decision making principles. The Council must also comply with the Public Sector Equality Duties in section 149 of the Equality Act 2010. In doing so, the Council must have due regard to elimination of discrimination, harassment and victimization, advance equality of opportunity and foster good relations with persons who share a protected characteristic.
- 8.4 The Local Government Act 2003 included new requirements to be followed by local authorities, which includes the CIPFA Prudential Code. This includes obligations, which includes ensuring adequacy of future years reserves in making budget decisions and section 25 of that Act requires the Director of Finance to report on the robustness of the estimates made for the purposes of calculating the Council Tax and the adequacy of the reserves. Further details to support these obligations will be reflected in the 2020/21 Council Tax report to be reported to the February meeting of the Executive.

Non-Applicable Sections:	Procurement Implications
Background Documents: (Access via Contact Officer)	Draft 2020/21 Budget and Update on the Council's Financial Strategy 2021/22 to 2023/24, Executive 15 th January 2020. Finance monitoring, Estimate Documents, etc all held in Finance Section