
Decision Maker: ENVIRONMENT AND COMMUNITY SERVICES POLICY
DEVELOPMENT AND SCRUTINY COMMITTEE

Date: Wednesday 19th January 2022

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

Title: ENVIRONMENT AND COMMUNITY SERVICES PORTFOLIO
DRAFT BUDGET 2022/23

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Chief Officer: Director of Finance
Director of Environment & Public Protection

Ward: All

1. Reason for report

- 1.1. The prime purpose of this report is to consider the Portfolio Holder's Draft 2022/23 Budget which incorporates future cost pressures, any planned mitigation measures and savings from transformation and other budget options which were reported to Executive on 12th January 2022. 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 2022/23 Council Tax levels.
- 1.3. There are still outstanding issues and areas of uncertainty remaining. Any further updates will be included in the 2022/23 Council Tax report to the next meeting of the Executive.

2. **RECOMMENDATION(S)**

2.1 The Environment and Community Services PDS Committee is requested to:

- i) Consider the update on the financial forecast for 2022/23 to 2025/26;

- ii) Consider the initial draft 2022/23 budget as a basis for setting the 2022/23 budget; and**
- iii) Provide comments on the initial draft 2022/23 budget for the February meeting of the Council's Executive.**

Corporate Policy

1. Policy Status: Existing Policy
 2. MBEB Priority: Managing Our Resources Well; A Safe, Clean and Green Environment and a Sustainable Future
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Financial

1. Cost of proposal: Not Applicable
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: Environment and Community Services portfolio budgets
 4. Total current budget for this head: £43.2m (draft budget 2022/23)
 5. Source of funding: Draft revenue budget for 2022/23
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Personnel

1. Number of staff (current and additional): Full details will be available with the Council's 2022/23 Financial Control Budget to be published in March 2022
 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 2022/23 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. The Draft 2022/23 Budget enables the Council to continue to deliver on its key priorities and the financial forecast enables medium term financial planning. Early decisions should be considered which impact on the medium-term financial plan within the context of meeting 'Making Bromley Even Better' priorities.
- 3.1.2. The Council continues to deliver key services and 'live within its means'. Forward financial planning and financial management is a key strength at Bromley. This report continues to forecast the financial prospects for the next 4 years and includes the outcome of the Provisional Local Government Finance Settlement 2022/23. It is important to note that some caution is required in considering any projections for 2023/24 to 2025/26 as this depends on the outcome of the Government's next Spending Review as well as the awaited impact of the Fair Funding Review and future plans relating to arrangements for business rates.
- 3.1.3. 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. The slowing down of the global economy and many sources of uncertainty has previously resulted in a downgrading of the level of economic growth in the UK economy. It is important to consider the key national issues that could impact on public finances over the next four years. The impact of Covid situation has had a dramatic impact on public finances. Not since the Second World War has a national emergency affected every business and household in the UK. The economic shock has had no comparisons for over 300 years. At the time of writing this report, the Government's budget deficit in 2021/22 (year to October 2021) is £127bn, with overall debt representing 95% of GDP, maintaining a level not seen since the early 1960s. The next few years remain uncertain economically and fiscally and what will this mean for council revenues. The Spending Review provided a one-year settlement which leaves considerable uncertainties over future years.
- 3.1.4. Local Government has borne the brunt of austerity and savings compared with other areas of Government expenditure from 2009/10 till 2019/20 (10 years) and had a 'rollover plus' one-year financial settlement for 2020/21. The 2021/22 and 2022/23 settlement provide additional funding, but this needs to be considered in the context of the 'new normal' and the considerable cost pressures facing local government. Austerity measures for future years will be a consideration but this is particularly problematic for the Government at the current time given the recessionary impact of the Covid situation and the need for a sustainable economic recovery. It is currently predicted that it could take 10 to 15 years to return UK public finances to full health. Therefore 'flat' real terms funding for councils may be the best-case scenario. Austerity measures remain a real possibility from say 2024/25 or 2025/26 as the Government will need to address the impact of the public finances from the Covid situation. Local government funding remains 'unprotected' and the impact of additional funding for NHS and other 'protected' services results could lead to future real term funding reductions remaining for local government. Even if funding levels are maintained the ongoing demographic and other costs pressures are unlikely to be matched by corresponding increases in government funding.
- 3.1.5. The financial forecast detailed in this report assumes that Government funding for local government will be broadly flat from 2023/24 and future years, despite local government cost pressures. Additional funding will be provided for Adult Social Reforms for 2023/24 to 2025/26 but such funding will be offset by additional costs relating to new burdens/cost pressures from these changes. The Provisional Local Government Finance Settlement 2022/23 provides

funding proposals for one year only and the financial forecast assumes that various elements of the additional funding will continue in future years.

- 3.1.6. The Budget Strategy has to be set within the context of ongoing cost and demographic pressures not being matched by Government or other external funding with potential Government funding reductions in the medium and longer term. There is an on-going need to transform 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 medium-term budget gap as the gap could increase further.
- 3.1.7. Bromley has the second lowest settlement funding per head of population in 2022/23 for the whole of London, giving us £115 per head of population compared with the average in London of £303 – the highest is £522. 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 four other low grant funded boroughs, our income would increase by £32.6m. The lower council tax level has been achieved by having a below average cost per head of population in outer London. The Council continues to express 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 over £110m 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 2022/23 Budget and Update on the Council's Financial Strategy 2023/24 to 2025/26 report to the Executive on 12th January 2022.
- 3.2.2. Even though the draft budget would be broadly balanced next year, the future years' budget gap is projected to increase to £19.5m per annum by 2025/26. Without any action to address the budget gap in future years additional reserves will need to be used with the risk of the budget gap increasing in future years and becoming unsustainable.
- 3.2.3. In the financial forecast, after allowing for inflation, council tax income and other changes there is an unfunded budget gap from 2025/26 partly due to net service growth/cost pressures. 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.

3.3. CHANGES SINCE THE 2020/21 BUDGET THAT IMPACT ON THE DRAFT 2022/23 BUDGET AND FINANCIAL FORECAST

- 3.3.1. The 2021/22 Council Tax report reported to Executive in February 2021 identified a significant "budget gap" over the four-year financial planning period. Some key changes since then are summarised below.
- 3.3.2. The Local Government Finance Settlement for 2022/23 continues to provide a significant improvement in funding for local government and, combined with 2021/22, represented the most positive funding proposal for local government since austerity began 11 years ago. The latest settlement provides a continuation of real increases in funding although this is retaining reliance on the utilisation of the ASC precept (1% increase) to support cost pressures in social care. It has also provided additional funding towards social care costs (£2.96m), inflation cover for the Council's business rate share (£1.18m) and a 'Services Grant' of £2.652m. The additional funding is welcomed but this has to be considered against the highest inflation

levels for 10 years, ongoing impact of the pandemic, increase in employer national insurance costs (1.25% to fund social care reforms) and ongoing cost/service pressures. Uncertainty remains on the level of funding for future years. Apart from the one-off services grant, the forecast assumes that the level of core grant funding will remain unchanged in future years.

- 3.3.3. Historically, the main measure of inflation for annual price increases for the Council's contracted out services was Retail Price Index (excluding mortgage interest rates) i.e., RPIX. However, more recent contracts use Consumer Price Index (CPI). The RPIX is normally up to 1% above the Consumer Price Index (CPI) level. The Draft 2022/23 Budget assumes contract price increases of 5.0%, in 2022/23 reducing to 2.5% in 2023/24 and 2% per annum from 2023/24, which compares with the existing CPI of 5.1% (7.2% for RPIX) - inflation is at its highest level for 10 years. The Bank of England have recently indicated that inflation is expected to increase to 6% by the summer and will revert back to target levels of 2% by mid-2024. Then financial forecast assumes inflation of 2.5% in 2023/24 reducing to 2% per annum from 2024/25. 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. The Draft 2022/23 Budget and financial forecast includes significant growth/cost pressures, with the net impact reduced to reflect mitigation assumed of £14.9m in 2022/23 rising to £27.3m per annum from 2025/26. Any reduction in the delivery of the mitigation savings could have a significant detrimental impact on the Council's budget gap and the contingency sum provides some funding support towards delivering a balanced budget in the medium term. 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 changes and the potential impact of other public agencies identifying savings or new cost burdens 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. It will also assist in dealing with the ongoing uncertainty relating to the ongoing Covid situation. 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. 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. Even with the additional income identified in this report the Council will need to plan for significant changes including the impact of a recession and the 'new normal'. 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 over £110m per annum since 2009/10 and 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. Considering the core statutory minimum service requirements, Chief Officers continue to undertake the transformational review across all services, focusing on higher spend services first with options being presented to future meetings. The ongoing transformation review will be a key consideration in addressing the budget gap over the next four years.

- 3.3.6. The current Environment and Community Services Portfolio budget includes Transformation Savings totalling £1,975k in 2022/23 increasing to £2,142k per annum from 2023/24. A summary of the savings is provided below with more details within Appendix 1.

Transformation Savings

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Energy cost savings from the Street Lighting LED Conversion Programme	179	256	256	256
Full year effect of additional income from Moving Traffic Contraventions	1,796	1,886	1,886	1,886
Total	1,975	2,142	2,142	2,142

- 3.3.7. This key work continues, and further proposals will be reported to Members in the future as part of addressing the four-year financial forecast and meeting the 'budget gap' whilst ensuring key priorities are met.
- 3.3.8. There remain significant cost/growth pressures for the Council as well as opportunities for the mitigation of costs. For this Portfolio, there are additional costs relating to waste collection although this is offset in 2022/23 only by an allocation from the Covid grant earmarked reserve. In addition, there is a phased reinstatement of the pre-Covid car parking income target. This is summarised below.

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Increase in Residential Waste Disposal Volumes	800	800	800	800
Partial reinstatement of the Car Parking income target	Cr 200	Cr 700	Cr 1,200	Cr 1,200
Total Growth	600	100	Cr 400	Cr 400
Allocation from the COVID Grant Earmarked Reserve	Cr 800	-	-	-
Net additional costs	Cr 200	100	Cr 400	Cr 400

- 3.3.9. It remains essential that there is the ongoing scrutiny and review of growth/cost pressures, which are mainly unfunded beyond 2023/24 with options to help achieve a balanced budget, including any mitigation over the financial forecast period.

3.4. ESTIMATED FINANCIAL IMPACT OF COVID-19

- 3.4.1. It is clear that there are potential additional cost pressures facing the Council due to the impact of the pandemic which includes for example:

- Ongoing impact of increase in referrals for children social care.
- 'Long Covid' effect on adult social care activity and costs.
- Potential increase in homelessness costs following end of furlough and national eviction ban.
- Reduced income remaining from car parking and other income sources.
- Ongoing challenges relating to debt recovery (partly due to required delay enforcement action for income recovery).

- 3.4.2. Some of these changes had been incorporated in the 2022/23 Budget but there remains uncertainty about the ongoing impact arising from the 'new normal'. The Provisional Local

Government Finance Settlement 2022/23 announced on 16th December provides no specific long COVID (or 'new normal') additional funding for local government in 2022/23.

3.5. DETAILED DRAFT 2022/23 BUDGET

3.5.1. Detailed Draft 2022/23 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.

3.5.2. Appendix 1 sets out:

- A summary sheet showing actual 2020/21 expenditure, 2021/22 budget, 2022/23 budget and overall variations in planned spending between 2021/22 and 2022/23;
- A summary of the main reasons for variations in planned spending between 2021/22 and 2022/23 together with supporting notes;
- A high-level subjective summary showing expenditure on employees, premises etc.

3.6. REVIEW OF FEES AND CHARGES

3.6.1. 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 2022/23 to identify opportunities to reduce the future years 'budget gap'.

3.7. IDENTIFYING FURTHER SAVINGS/MITIGATION

3.7.1. The scale of savings required in future years cannot be met by efficiency alone – there may need to be 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.

3.7.2. The Draft 2022/23 Budget represents the third year of savings from the Transformation Programme. 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.

3.8. POSITION BY DEPARTMENT – KEY ISSUES/RISKS

There remain risks in meeting the 'budget gap' arising from budget savings, mitigation options to address cost pressures, as well as ongoing cost pressures arising from new burdens, implications of the Covid situation and the impact of Government Policy changes. Action will need to be taken to contain, where possible these cost pressures, managing the implementation of savings, generate income or seeking alternative savings where required. The Council's Corporate Risk Register shows that 'Failure to deliver a sustainable financial strategy which meets with Making Bromley Even Better priorities and failure of individual departments to meet budget' is the highest risk the Council is facing.

In addition to the issues shown above, a further list of the potential risks for this Portfolio which will be faced in future years that Members should consider arising from the assumptions made

is attached at Appendix 2. The level of balances held, and provisions set aside in the central contingency, provide significant safeguards against any adverse financial pressures.

4. IMPACT ON VULNERABLE ADULTS WITH CHILDREN

4.1 The draft 2022/23 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

4.1 The Draft 2022/23 Budget enables the Council to continue to deliver on its 'Making Bromley Even Better' 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

5.1 Financial implications are contained within the overall body of the report.

7. PERSONNEL IMPLICATIONS

6.1 Staff, departmental and trade union representatives will be consulted individually and collectively on any adverse staffing implications arising from the Draft 2022/23 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 Education Act 2005 introduced the concept of a funding period, which allows for the introduction of multiple year budgets rather than the setting of financial year budgets.

8.4 Executive is being requested to delegate the setting of the schools' budget funded through the Dedicated Schools Grant to the Education, Children and Families Portfolio Holder.

8.5 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 victimisation, advance equality of opportunity and foster good relations with persons who share a protected characteristic.

8.6 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 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 2022/23 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 2022/23 Budget and Update on the Council’s Financial Strategy 2023/24 to 2025/26, Executive 12 th January 2022. Finance monitoring, Estimate Documents, etc all held in Finance Section