

Report No.  
FSD22019

## London Borough of Bromley

### PART 1 - PUBLIC

---

Decision Maker: **Executive**

Date: **9th February 2022**

Decision Type: Non-Urgent Executive Key

**TITLE: 2022/23 Council Tax**

Contact Officer: Peter Turner, Director of Finance  
Tel: 020 8313 4338 E-mail: peter.turner@bromley.gov.uk

Director: Director of Finance

Ward: Borough wide

---

#### REASON FOR REPORT

- 1.1 A key part of the financial strategy is to highlight the budget issues that will need to be addressed by the Council over the coming financial years, by forecasting the level of available resources from all sources and budget pressures relating to revenue spending. Details of the capital programme are reported elsewhere on this agenda.
- 1.2 The Provisional Local Government Finance Settlement 2022/23, which covers 2022/23 only, provides the third year (following 10 years of austerity) of real increases in funding and this includes availability of the ASC precept to support cost pressures in social care. It has also provided funding towards the cost of the Adult Social Care Reforms over the next three years. There is no specific Covid funding provided.
- 1.3 Although the settlement is to be welcomed there remains uncertainty around the level of Government funding for 2023/24 and beyond, particularly as the Government will need to address the significant increase in public debt due to the pandemic. The longer-term Spending Review together with the awaited Fair Funding Review and Devolution of Business Rates (or any revised funding proposals) have been deferred until at least 2023/24.
- 1.4 This report identifies the final issues affecting the 2022/23 revenue budget and seeks recommendations to the Council on the level of the Bromley element of the 2022/23 Council Tax and Adult Social Care precept. Confirmation of the final GLA precept will be reported to the Council meeting on 28<sup>th</sup> February 2022. 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 2022/23 but to have measures in place to deal with the medium-term financial position (2023/24 to 2025/26).

1.5 With the Government reductions in funding since austerity measures began, although there have been some recent improvements in funding, the burden of financing increasing service demands falls primarily on the level of council tax and share of business rate income. The financial forecast assumes that the level of core grant funding will remain unchanged in future years.

## 2. RECOMMENDATIONS

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

- (a) Approves the overall Dedicated Schools Budget (DSB) of £92.3m which matches the estimated level of Dedicated Schools Grant (DSG), after academy recoupment;
- (b) Approves the draft revenue budgets (as in Appendix 2) for 2022/23;
- (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 12<sup>th</sup> January 2022;
- (d) Approves a contingency sum of £17,395k (see section 6);
- (e) Approves the following provisions for levies for inclusion in the budget for 2022/23;

	£'000
London Pension Fund Authority*	478
London Boroughs Grant Committee	247
Environment Agency (Flood defence etc.) *	270
Lee Valley Regional Park *	321
<b>Total</b>	<b>1,316</b>

\* 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 2022/23 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 levels 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 28<sup>th</sup> February 2022.

## Impact on Vulnerable Adults and Children

1. Summary of Impact: None arising directly from this report
- 

## Corporate

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: £179m Draft 2022/23 Budget (excluding GLA precept)
  5. Source of funding: See Appendix 2 for overall funding of Council's budget
- 

## Personnel

1. Number of staff (current and additional): total employees – 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 – N/A
- 

## Legal

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

## Procurement

1. Summary of Procurement Implications: None arising directly from this report
- 

## Customer Impact

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.

---

## 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 The 'Draft 2022/23 Budget and Update on the Council's Financial Strategy 2023/24 to 2025/26' was reported to the Executive on 12<sup>th</sup> January 2022. 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 12<sup>th</sup> January 2022)*

- (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 2022/23 (Section 6 and Appendix 2);
- (c) Council Tax Levels and Government Funding per Head (Appendix 3);
- (d) Comprehensive Spending Review Representation (Appendix 4);
- (e) Latest Financial Forecast (Section 5 and Appendices 5-6);
- (f) Changes since the 2021/22 Budget that impact on the Financial Forecast (Section 6);
- (g) Detailed Draft 2022/23 Budget (Section 7 and Appendix 7);
- (h) Options being undertaken with a "One Council" approach including Transformation and Adult Social Care Reform (Section 8);
- (i) Future Local Authority Landscape (Section 9);
- (j) The Schools' Budget (Section 11);
- (k) Consultation (Section 16);
- (l) Position by Portfolio – Key Issues/Risks (Section 17 and Appendix 8).

All of the above should be considered with this report as part of finalising the 2022/23 Budget and council tax levels.

### **4. 2022/23 DRAFT BUDGET AND CHANGES SINCE LAST MEETING OF THE EXECUTIVE**

- 4.1 The last report to the Executive identified a balanced budget in 2022/23, assuming an illustrative increase in council tax/adult social care precept of 1%, and a 'budget gap' of £19.5m by 2025/26. The main updates are shown below:

- (a) The final Local Government Financial Settlement 2022/23 is still awaited (expected mid February 2022) and any updates will be provided at the meeting;
- (b) Various government grant allocations are still awaited. This includes, for example, Public Health Grant. Any changes to be announced, compared with the 2022/23 Budget, will be reflected in an updated 2022/23 Central Contingency Sum;

### **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:

	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
<b>Variations Compared with 2021/22 Budget</b>				
<b>Changes in Government Core Funding</b>	<b>-6.8</b>	<b>-4.1</b>	<b>-4.1</b>	<b>-4.1</b>
<b>Cost Pressures</b>				
Increased costs (2% per annum)	11.2	18.8	25.1	31.5
Reinstatement of highways maintenance (previously capitalised)	2.5	2.5	2.5	2.5
<b>Total Additional Costs</b>	<b>13.7</b>	<b>21.3</b>	<b>27.6</b>	<b>34.0</b>
<b>Income / Savings</b>				
Interest on balances	0.8	1.0	1.0	1.0
Release general provision in contingency for significant uncertainty/variables	0.0	0.0	-2.0	-2.0
Funding of extra waste disposal costs from contingency	-0.4	-0.4	-0.4	-0.4
Reduction in central contingency provision for loss of car park income	-0.5	-0.5	-0.5	-0.5
Release of Education risk reserve to address offset cost pressures	-0.5	-0.5	-0.5	-0.5
Transformation Savings	-2.8	-2.6	-2.7	-2.7
CIL Funding Opportunities	-0.3	-1.0	-2.0	-2.4
Reduction in freedom pass costs to reflect reduced usage in 2020/21	-3.9	-1.4	3.2	3.2
<b>Total Income / Savings</b>	<b>-7.7</b>	<b>-5.4</b>	<b>-3.9</b>	<b>-4.3</b>
<b>Other Changes (includes use of non-recurring funds)</b>				
Real Changes and other Variations	0.8	0.3	0.5	0.1
<b>Total Other Changes</b>	<b>0.8</b>	<b>0.3</b>	<b>0.5</b>	<b>0.1</b>
<b>COVID Funding</b>				
Fall out of provision for additional cost pressures re Covid impact in 2021/22	7.8	7.8	7.8	7.8
Additional Government Funding to support further Covid cost impact in 2021/22	-7.8	-7.8	-7.8	-7.8
	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Council Tax</b>				
Income collection recovery council tax etc.	-0.5	-0.5	-0.5	-0.5
Collection Fund - fall out of use of fund in 2021/22 Budget	3.2	3.2	3.2	3.2
Collection Fund surplus 2020/21 and future years	-2.4	0.0	0.0	0.0
Est. increase in council tax base number of prop. offset by increase in council tax support claimants	-1.8	-1.8	-1.8	-2.5
Increase in ASC precept or Council Tax (1% increase)	-1.8	-5.2	-8.8	-12.4
<b>Total Council Tax</b>	<b>-3.2</b>	<b>-4.3</b>	<b>-7.9</b>	<b>-12.2</b>
<b>Growth/Cost Pressures including mitigation</b>				
Education	3.3	3.5	3.6	4.0
Children's Social Care	3.7	3.3	3.3	3.4
Adult Social Care	2.6	4.9	7.4	9.5
Public Health	0.4	0.4	0.4	0.4
Housing	-0.1	-1.3	-0.8	-0.4
Environment	0.6	0.1	-0.4	-0.4
Reduction in investment property income	0.4	0.2	0.2	0.2
Fall out of two year additional provision for building maintenance	0.0	-1.0	-1.0	-1.0
Part funding for loss of fees and charges income (COVID)	0.5	0.5	0.5	0.5
Building Infrastructure Fund	2.0	2.0	0.0	0.0
<b>Total growth/cost pressures</b>	<b>13.4</b>	<b>12.6</b>	<b>13.2</b>	<b>16.2</b>
<b>Sub-total</b>	<b>10.2</b>	<b>20.3</b>	<b>25.4</b>	<b>29.5</b>
<b>Use of Covid earmarked reserves</b>	<b>-5.8</b>	<b>-4.6</b>	<b>-2.5</b>	<b>0.0</b>
<b>Use of previous Collection Fund Surplus to meet budget gap</b>	<b>-4.4</b>	<b>-11.4</b>	<b>-10.0</b>	<b>-10.0</b>
<b>Remaining "Budget Gap"</b>	<b>0.0</b>	<b>4.3</b>	<b>12.9</b>	<b>19.5</b>

- 5.2 The above table highlights that it has been possible to achieve a potential balanced budget next year through increasing council tax/adult social care precept by an illustrative 1%, utilising the Covid and collection fund reserves, the impact of transformation and other savings. This has been delivered despite the significant cost/growth pressures, high inflation and the ongoing Covid situation. Each 1% council tax increase generates on-going annual income of £1.8m. Ongoing increases of 1.99% per annum from 2023/24 have been assumed in the financial forecast.
- 5.3 These variations are subject to any final decision on Council Tax levels. Appendix 2 derives an illustrative 'Bromley element' Council Tax of £1,341.13 (1% increase in council tax or adult social care precept) and Appendix 3 includes the Draft 2022/23 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. 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 the next year even after allowing for significant cost pressures there remains a "budget gap" of £4.3m in 2023/24 rising to £19.5m per annum in 2025/26. Without any action to address the budget gap in future years, reserves will need to be used with the risk of the budget gap increasing in future years and becoming unsustainable. It is essential to continue with prudent financial management and ensuring the Council 'spends within its means' in considering not just next year's budget but the impact on future years. The projections from 2023/24 have to be treated with some caution, particularly as the Government's next Spending Review, outcome of the Fair Funding Review and future Government plans relating to arrangements for business rates are awaited – these changes combined could have a significant impact on the Council's finances.
- 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 over £110m were realised since 2011/12. Our council has to balance between the needs of service users and the burden of council tax on council taxpayers. With the Government having placed 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 28<sup>th</sup> February 2022 for the finalisation of the Council Tax, to reflect latest available information on levies and the final GLA precept.
- 5.8 The above variations assume that there will not be Government funding reductions over the next four years and that the planned mitigation of growth pressures is realised.
- 5.9 In the financial forecast, after allowing for inflation, council tax income and other changes, there is an unfunded budget gap from 2023/24 due to net service

growth/cost pressures and the fall out of one-off funding. 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 must consider what level of growth the council can afford and the need for significant mitigation or alternative transformation options.

## **6. DRAFT 2022/23 CENTRAL CONTINGENCY SUM**

- 6.1 Details of the 2022/23 Draft Contingency Sum of £17,395k 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 2022/23 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 2022/23 Budget.
- 6.3 The updated financial forecast assumes the release of £2m per annum from 2024/25 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 previous 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 year's collection fund surpluses as well as a financial management and risk reserve (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 Given the uncertainty over the future of local government funding and the need to set aside resources to provide flexibility in identifying options to bridge the medium-term budget gap as the gap could increase further, the collection fund surplus in previous years has, in some cases, been set aside within earmarked reserves. Given the scale of financial challenges continuing to face the Council in the medium term the financial forecast assumes part utilisation of the collection fund surplus reserve to support the revenue budget and reduce the estimated budget gap. This contribution equates to £1.7m in 2022/23, £9.1m in 2023/24 and £10m per annum in 2024/25 and 2025/26.



7.4 Members previously approved a Covid recovery fund reserve of £10.273m in recognition of the medium-term impact of the pandemic and the need to meet the future year costs, from Government funding provided. Combined with unringfenced Government funding during 2021/22 (part utilisation of £2.771m), the 2022/23 Budget and financial forecast assumes these resources are utilised to support the impact of Covid on the Council's revenue budget between 2022/23 and 2024/25 providing total funding of £13.044m (£5.848m in 2022/23, £4.648m in 2023/24 and £2.548m in 2024/25).

7.5 The approach identified in Section 7.3 and 7.4 above recognises specific use of earmarked reserves funding to support the revenue budget on a transitional basis.

7.6 The Council had estimated general reserves remaining of £19.7m as at 31/3/2021. A full breakdown of reserves, including earmarked reserves, is detailed in Appendix 4.

## 8. 2021/22 BUDGET MONITORING AND COVID IMPACT

8.1 The 2021/22 financial monitoring position reported to the Executive on 24<sup>th</sup> November 2022 showed an overall net overspend of £2,458k within portfolio budgets and a £2,929k credit variation on contingency and prior year adjustments. Details were reported in 'Budget Monitoring 2021/22' report to Executive on 24th November 2021. This represents the impact of the first six months of the financial year and the full year impact of 2020/21 outturn. The most significant financial risk to the Council is the Covid-19 impact and the Government have provided adequate funding towards meeting that risk in 2020/21 and 2021/22, although uncertainty around the financial impact remains for future years. Based on more recent new schemes and updates from Government, overall funding of £195m in 2020/21 and £96m in 2021/22 (total £291m) were provided towards Covid costs which includes, for example, support for businesses. The next financial monitoring report to Executive will be updated to reflect the impact of the latest funding position in 2021/22.

## 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 blocks, Schools, High Needs, Early Years and Central Spend DSG. The funding splits are detailed in the table below:

	<b>Schools</b>	<b>High Needs</b>	<b>Early Years</b>	<b>Central</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
2021/22	237,832	59,923	23,343	2,134	323,232
2022/23 (provisional)	245,142	67,379	21,748	2,091	336,360
<b>Variation</b>	<b>7,310</b>	<b>7,456</b>	<b>-1,595</b>	<b>-43</b>	<b>13,128</b>

- 9.3 The Schools Block has risen by £7.3m. This is due to an increase in the per pupil unit of funding and increases in the population figures. The majority of this funding will be top sliced and returned to DfE to fund Academy Schools. Moreover, DfE has introduced a central payment mechanism for Schools Business Rates in 2022/23 and therefore a further deduction will be made for this.
- 9.4 There had also been an announcement of additional supplementary grant of £7.1m for 2022/23 for schools. This is to provide support for the costs of the Health and Social Care Levy and wider costs. This will be distributed as a separate grant in 2022/23 only as the intention is to integrate this into the DSG from 2023/24 onwards.
- 9.5 The High Needs Block is seeing pressures coming through the system. Nationally the Government were seeing some authorities building up high levels of deficit reserves. This particular funding issue has been acknowledged, and further funding committed for 2022/23.
- 9.6 The DSG allocation has resulted in an increase in high needs block funding of £7.5m for Bromley. £2.4m of this amount was announced in the spending review to cover additional costs that local authorities and schools will face in the coming year, which were not foreseen when the original high needs block allocations were calculated, including the Health and Social Care Levy. The remaining £5.1m is due to the increases in per pupil funding and the increase in pupils themselves.
- 9.7 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. Moreover, future funding levels have not yet been announced and so there is uncertainty as to what funding levels will be from 2023/24.
- 9.8 Early Years funding has decreased by £1.6m. DfE have increased the part time equivalent (PTE) rates by 21 pence per hour for 2 year old funding and 17p per hour for 3 and four year old funding for 2022/23. This has increased the grant by £783k. However there has been a considerable drop in numbers through the census data, resulting in a grant loss of £2.4m. There is uncertainty about the figures to the COVID pandemic and the pupil counts so this should be taken with some caution. Early Years DSG is adjusted in year to take account of take up during the year, so the figure will change as the financial year progresses. It is hoped take up will increase and if this is the case, the funding will be adjusted by DfE.
- 9.9 The Central Block has decreased by £43k. The per pupil rate fell by 2.5% (the equivalent of a loss of £53k). £10k of additional grant was received due to the increase in pupil numbers. There continues to be pressures in the Central Schools DSG due to funding shortfalls. Last year the Council used £410k of core LBB funding to underpin this expenditure. A further £50k is being proposed for 2022/23 bringing the total Council core funding to £460k.

## **10. LEVIES**

- 10.1 Various 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 28<sup>th</sup> February 2022. 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 collection fund had a non-recurring surplus of £3m reflected in the 2020/21 Provisional Final Accounts report to the Executive on 30<sup>th</sup> June 2021. The surplus was achieved mainly through anticipated good debt recovery levels, an increase in new properties in the borough and the ongoing impact of actions in response to the data-matching exercise on single person discounts. A sum of £2.4m will be allocated to the Council, with the £0.6m going to the Greater London Authority. The financial forecast assumes that the surplus will be used towards reducing the Council's budget gap in 2022/23.
- 11.3 The forecast assumes (see 7.3) that the use of the collection fund surplus earmarked reserve is used to support the revenue budget with further contributions of £1.7m in 2022/23, £9.1m in 2023/24 and £10m per annum in 2024/25 and 2025/26.

## 12. THE GREATER LONDON AUTHORITY PRECEPT

- 12.1 The GLA's 2022/23 Draft Budget has been issued for consultation and the Mayor of London announced a proposed increase of 8.8% in the existing GLA precept levels for 2022/23. The final GLA precept for 2022/23 is expected to be announced after the Assembly has considered the Mayor's draft consolidated budget on 24<sup>th</sup> February 2022.

## 13. UTILISATION OF GENERAL RESERVES AND COUNCIL'S CAPITAL PROGRAMME

- 13.1 The latest estimated general fund (revenue) balance at 31<sup>st</sup> March 2022, as shown in the 'Budget Monitoring 2021/22' report to Executive on 24<sup>th</sup> November 2021 is provided below:

	2021/22 Projected Outturn £'Million
General Fund Balance as at 1 <sup>st</sup> April 2021	20.0
Impact of net projected underspends reflected in the 2021/22 budget monitoring report	+0.5
Adjustment to Balances: Carry forwards (funded from underspends in 2020/21)	-0.8
Estimated General Fund Balance at 31 <sup>st</sup> March 2022 (end of year)	19.7

- 13.2 Bromley's Capital programme is mainly funded by external government grants, contributions from TfL and from general capital receipts. Various schemes are funded through short and medium-term internal borrowing where the scheme will generate new capital receipts to repay the loan or for housing schemes that will move to the HRA at a future date with repayment arrangements in place.
- 13.3 The latest capital programme creates a new financial challenge with a potential shortfall in funding of £20.9m in 2023/24, £10.1m in 2024/25 and £8.4m in 2025/26 (cumulative total of £39.4m). It is important to consider options to address the future capital programme and

funding shortfall. Officers will report in proposals later this year, when the outcome of the Operational Property Review is known combined with a further review by Chief Officers. The Operational Property Review, to be completed later this year, will impact on the future capital spend and identify potential new capital receipts. Members may be requested to consider revenue contributions to support funding the capital programme (as well as other financing options) once the full implications are known. This situation will need to be monitored closely.

- 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.

## **14. CONSULTATION**

- 14.1 Executive, at its meeting on 12<sup>th</sup> January 2022, requested that the 'Draft 2022/23 Budget and Update on Council's Financial Strategy 2023/24 to 2025/26' report proposals are considered by individual PDS Committees. PDS Committee comments relating to the report 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 28<sup>th</sup> February 2022 where the 2022/23 Budget and Council Tax will be agreed.
- 14.2 The use of DSG was considered with the Schools Forum and this was reported to the Children, Education and Families Budget Sub-Committee on the 18<sup>th</sup> January 2022. At the time of writing this report, this is subject to the formal agreement of the Children, Education, and Families Portfolio Holder.
- 14.3 Consultation papers have been sent to Bromley Business Focus, Federation of Small Businesses (Sevenoaks & Bromley Branch) and the 20 largest business ratepayers in the borough. At the time of writing this report no responses have been received.
- 14.4 Other examples of consultation will include consultation on specific budget proposals.

## **15. POSITION BY DEPARTMENT – KEY ISSUES/RISKS**

- 15.1 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, the ongoing Covid situation (with uncertainty on the 'new normal') 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 or seeking alternative savings where required. The Council's Corporate Risk Register shows that 'Failure to deliver a sustainable financial strategy which meets Making Bromley Even Better priorities and failure of individual departments to meet budget' is the highest risk the Council is facing.
- 15.2 Details of the potential risks which will be faced in future years, as part of finalising the 2022/23 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 2022/23**

- 16.1 The updated GLA's 2022/23 Draft Budget includes proposals for an increase of 8.8% in existing GLA precept levels for 2022/23. The final GLA Precept for 2022/23 is expected to be announced after the Assembly has considered the Mayor's draft consolidated budget on 24<sup>th</sup> February 2022.

- 16.2 The Council's tax base, reflected in the Draft 2022/23 Budget, is 133,346 'Band D' equivalent properties. 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 £1,327.86 in 2021/22 and a further sum of £363.66 for the GLA precept (providing a total Band D equivalent Council Tax of £1,691.52).
- 16.3 For 2022/23, every £1m change in income or expenditure causes a 0.6% variation in the 'Bromley element' of the Council Tax. Each 1% council tax increase generates ongoing annual income of £1.77m.
- 16.4 As part of the Localism Act, any council tax increase of 2% or above in 2022/23 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 the rebilling of approximately £100k. The one-off cost of a referendum is estimated to be £700k.
- 16.5 The Government has enabled the Council in 2022/23 to have a council tax precept of up to 1% per annum to specifically fund adult social care (a 1% increase in council tax equates to £1.77m additional income per annum). Councils are able to levy the precept on top of the existing freedom to raise council tax by up to 1.99% without holding a referendum. Therefore, the Council could potentially have a council tax increase of just below 3% without the need for a council tax referendum. 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 The Draft 2022/23 Budget assumes a Bromley element of a 1% council tax increase, including the Adult Social Care Precept, and combined with an increase in the GLA Precept of 8.8% there would be an overall combined council tax increase of around 2.67%. This would equate to an overall Council Tax (Band D equivalent) of £1,736.72 consisting of the Bromley element of £1,341.13 and GLA precept of £395.59.
- 16.7 The table below identifies the changes required to the draft 2022/23 Budget to achieve different levels of increases in the Bromley element of the council tax. An increase of 1%, which members may choose to reflect the Adult Social Care Precept, has been assumed in the 2022/23 Draft Budget at this stage.

Increases in Council Tax Levels

Bromley Element % Increase in 2022/23 including Adult Social Care Precept	Additional Income 2022/23 £'m
Freeze	NIL
1.0*	1.77
2.0	3.54
2.99	5.29
4.0#	7.08

\*Assumed in draft 2022/23 Budget. Adult social care precept of 1% equates to additional income of £1.77m 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 2022/23 but also the longer term impact over the four year forecast period.
- 16.9 The Council Tax Referendum Principles are expected to be confirmed as part of the final

Local Government Finance Settlement 2022/23. 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 2022/23 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 a below average cost 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 2022/23, having regard to all the above factors including the Director of Finance comments in Sections 18.8 to 18.13 and Appendix 4.

## **17. FUNDING SETTLEMENT**

- 17.1 Details of the Council's 'Comprehensive Spending Review Representation' were reported to the previous meeting of the Executive. The Council's response to the Provisional Local Government Finance Settlement 2022/23 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.
- 17.2 Although the Local Government settlement for 2022/23 represents an ongoing improvement in funding from Government (compared with period 2009/10 to 2019/20) it broadly remains a one year settlement only (except for Adult Social Care Reform funding).

## **18. MEDIUM TERM FINANCIAL PLANNING**

- 18.1 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.
- 18.2 Local Governments funding arrangements were previously expected to experience their most significant funding reform for over two decades. The awaited outcome remains unclear. Any changes made are expected to include transitional arrangements that will impact on any 'winners' or 'losers' amongst Councils. The financial forecast assumes no financial changes from this review.
- 18.3 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. There is likely to be a significant shortfall of funding in meeting this new responsibility in the longer term with potential Fair Cost of Care additional costs of between £10m and £15m per annum, as reported to the previous meeting of the Executive. Although the financial forecast assumes that the changes will be fully funded at this stage, whilst a more detailed assessment is required, this represents a significant financial risk to the Council.

- 18.4 With the future funding uncertainty together with ongoing cost/growth pressures, 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.
- 18.5 For financial planning purposes, the financial forecast assumes a council tax increase of 1.99% per annum from 2023/24 towards meeting inflationary costs and provide funding to meet increasing growth/cost pressures as well as new burdens. As part of the Local Government Finance Settlement 2022/23, the Government's reported 'Spending Power' of local government assumes that Councils will raise alternative funding, to partly determine grant calculations, from council tax increases and utilisation of the Adult Social Care precept.
- 18.6 The Budget Strategy has to be set within the context of continuing cost pressures while Government funding remains broadly at 'standstill' levels from 2023/24, except to meet new burdens – transformation savings will be required to offset such cost pressures to ensure a balanced budget. There is also a need to build in flexibility in identifying options to bridge the budget gap as the gap could increase further.
- 18.7 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 together with an improved financial settlement have provided an opportunity to provide a balanced budget. To illustrate the benefit of the investment approach the Council has undertaken, budgeted income totalling £13.6m from a combination of treasury management income (£2.8m) and rents from investment and operational properties (£10.8m). Without this income, equivalent service reductions may be required. Utilisation of the remaining uncommitted Growth and Investment Fund monies will be prioritised for housing and local economic recovery. There remains the need to reduce the significant cost pressures on homelessness and the opportunities to help the local economy recover from this pandemic. 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.
- 18.8 Section 25 of the Local Government Act 2003 requires the Council's Section 151 Officer to report on the robustness of the budget calculations and the adequacy of reserves as part of the budget and council tax setting decision. 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 £110m since 2011 and has a below average cost base which makes further savings more challenging. At best, there is expected to be a 'standstill' position on future government funding. Therefore, future government funding is not expected to meet future year cost pressures and new burdens which will continue over the next four years.
- 18.9 It is essential that action continues to mitigate the significant cost pressures – the 2022/23

Budget and 2023/24 to 2025/26 forecast assumes net growth pressures of £42.9m offset by mitigation of £27.2m (net increase of £15.7m). In addition, transformation savings of £2.7m per annum have been assumed by 2025/26. Without delivery of the combined mitigation and transformation savings of £29.9m per annum by 2025/26, the budget gap would in future years increase – this clearly must be monitored closely with corrective action taken to avoid any significant increase in the budget gap. There is also a risk if the growth pressures assumed in the forecast increase further compared with current projections. Although the 2022/23 Central Contingency Sum and balances (one-off monies) provide a short term 'buffer' it is essential to take action to deliver a sustainable ongoing financial resilience – the Council has a statutory duty to have a balanced budget.

18.10 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.

18.11 The Council remains 'better placed' than many other authorities due to having no cost of borrowing, retaining adequate level of reserves and having 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 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. Continuing the One Council Transformation approach as reported to the previous meeting of the Executive, delivering planned mitigation and transformation savings as well as minimising any further cost/growth pressures are essential to identify options from 2023/24 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 and mitigate against inflation cost pressures to remain within their 'cash envelope'. Agreeing a council tax/adult social care precept below the maximum capping level does result in potential foregone income, particularly when facing a budget gap in the medium and longer term, and such decisions for each subsequent year would not be sustainable on an ongoing basis. The use of Covid and the collection fund surplus earmarked reserves provides transitional support, during funding uncertainty, and assists as the Council progresses with longer term decision making but these reserves represent one off resources. As indicated in this report there will need to be a review of financing the Council's capital programme as capital receipts are depleted. Capital spend and potential further capital receipts will be partly influenced by the Operational Property Review which will be reported to a future meeting of the Executive.

18.12 Commentary on the level of reserves and robustness of the 2021/22 Budget are provided in Appendix 4.

18.13 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 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.

## **20. POLICY IMPLICATIONS**

- 20.1 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.

## **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 2022/23 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 16 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 31<sup>st</sup> March. Notice of a school's 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.

<b>Background documents</b>	<p>Treasury Management – Annual Investment Strategy 2022/23 and Quarter 3 Performance 2021/22, Executive, Resources and Contracts PDS Committee and Council, 7<sup>th</sup> February 2022 and 28<sup>th</sup> February 2022</p> <p>Draft 2022/23 Budget and Update on Council’s Financial Strategy 2023/24 to 2025/26, Executive, 12<sup>th</sup> January 2022</p> <p>Capital Programme Monitoring – 2<sup>nd</sup> Quarter 2021/22, Executive on 24<sup>th</sup> November 2021</p> <p>Financial Monitoring 2021/22, Executive, 24<sup>th</sup> November 2021</p> <p>Insurance Fund – Annual Report 2020/21, Executive, Resources and Contracts PDS Committee, 18th November 2021</p> <p>Provisional Final Accounts 2020/21, Executive, 30<sup>th</sup> June 2021</p> <p>2021/22 Council Tax, Executive 10th February 2021</p> <p>Transforming Property – Creation of a £30m Disposal Programme, Leader following pre scrutiny by E, R&amp;C PDS on 10<sup>th</sup> September 2020</p>
<b>Financial Considerations</b>	<p>Covered within overall report</p>

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Bromley's Budget Requirement in 2021/22 (before funding from Formula Grant) @</b>	216,186	216,186	216,186	216,186	216,186
Formula Grant and Business Rate Share	-40,874	-40,874	-40,874	-40,874	-40,874
	<b>175,312</b>	<b>175,312</b>	<b>175,312</b>	<b>175,312</b>	<b>175,312</b>
Additional core funding		-1,183	-1,183	-1,183	-1,183
Additional social care grant		-2,960	-2,960	-2,960	-2,960
Market sustainability and Fair Cost of Care Fund and Capping of Care Costs		-804	-5,628	-8,040	-8,040
Grant related expenditure for above		804	5,628	8,040	8,040
One off 2022/23 Services Grant		-2,652	0	0	0
<b>Changes in Government Core Funding</b>		<b>-6,795</b>	<b>-4,143</b>	<b>-4,143</b>	<b>-4,143</b>
Cost pressures					
Increased costs (5% in 2022/23, 2.5% in 2023/24 and 2% from 2024/25)		9,739	17,347	23,601	29,975
Increase in employer national insurance (including outsourced services)		1,500	1,500	1,500	1,500
		<b>11,239</b>	<b>18,847</b>	<b>25,101</b>	<b>31,475</b>
Reinstatement of highways maintenance (previously capitalised)		2,500	2,500	2,500	2,500
<b>Total additional costs</b>		<b>13,739</b>	<b>21,347</b>	<b>27,601</b>	<b>33,975</b>
<b>Income/Savings</b>					
Interest on balances		750	1,000	1,000	1,000
Release general provision in contingency for significant uncertainty/variables (per 2021/22 ctax report)		0	0	-2,000	-2,000
Funding of extra waste disposal costs from contingency		-400	-400	-400	-400
Reduction in central contingency provision for loss of car park income		-500	-500	-500	-500
Release of Education risk reserve to address offset cost pressures		-500	-500	-500	-500
Transformation Savings		-2,832	-2,610	-2,686	-2,686
CIL Funding Opportunities		-320	-1,000	-2,000	-2,400
Initial reduction (-) in freedom pass costs due to Covid period		-3,892	-1,419	3,206	3,206
		<b>-7,694</b>	<b>-5,429</b>	<b>-3,880</b>	<b>-4,280</b>
<b>Other changes</b>					
Real Changes and other Variations		789	271	492	52
		<b>789</b>	<b>271</b>	<b>492</b>	<b>52</b>
<b>Council Tax</b>					
Reduction in council tax losses due to Covid period		-548	-548	-548	-548
Collection Fund - fall out of use of fund in 2021/22 Budget		3,242	3,242	3,242	3,242
Collection Fund surplus 2020/21		-2,400	0	0	0
Est. increase in council tax base and increase in collection rate		-1,753	-1,753	-1,753	-2,503
		<b>-1,459</b>	<b>941</b>	<b>941</b>	<b>191</b>
Fall out of provision for additional cost pressures re Covid impact in 2021/22		7,795	7,795	7,795	7,795
Additional Government Funding to support further Covid cost impact in 2021/22		-7,795	-7,795	-7,795	-7,795
<b>Growth/Cost Pressures including mitigation</b>					
- Education		3,335	3,478	3,638	3,970
- Children's Social Care		3,716	3,341	3,342	3,353
- Adults Social Care		2,569	4,915	7,375	9,526
- Housing		-86	-1,349	-830	-358
- Public Health		400	400	400	400
Reduction in car park income, waste costs and other changes		600	100	-400	-400
Fall out of two year addt provision for building maintenance		0	-1,000	-1,000	-1,000
Building Infrastructure Fund		2,000	2,000	0	0
Reduction in investment property income		366	183	183	183
Fall out of funding for loss of fees and charges income (COVID)		500	500	500	500
		<b>13,400</b>	<b>12,568</b>	<b>13,208</b>	<b>16,174</b>
<b>Budget Requirement</b>		<b>187,292</b>	<b>200,867</b>	<b>209,531</b>	<b>217,281</b>
2021/22 Council Tax Income	-175,312	-175,312	-175,312	-175,312	-175,312
Increase in ASC precept or Council Tax (assume 1% increase in 2022/23 and 1.99% per annum thereafter)		-1,770	-5,242	-8,800	-12,429
<b>Budget Gap before use of one off collection fund surplus and Covid reserve</b>		<b>10,210</b>	<b>20,313</b>	<b>25,419</b>	<b>29,540</b>
<b>Use of earmarked reserves</b>					
Use of Covid earmarked reserve towards funding Covid cost pressures		-5,848	-4,648	-2,548	0
Collection Fund surplus to meet future years budget gap (included in 2021/22 council tax report)		-1,700	-9,111	-10,000	-10,000
Release of Government funding towards additional council tax support costs (held in reserve)		-2,662	-2,300	0	0
		<b>-10,210</b>	<b>-16,059</b>	<b>-12,548</b>	<b>-10,000</b>
<b>Revised Budget Gap</b>		<b>0</b>	<b>4,254</b>	<b>12,871</b>	<b>19,540</b>

1) The above forecast assumes for illustrative purposes a 1% increase in ASC precept/ Council Tax for 2022/23 and 1.99% increase to Council Tax for the following years

## SUMMARY OF DRAFT 2022/23 REVENUE BUDGET - PORTFOLIO

2021/22 Draft Budget £'000	Portfolio/Item	2022/23 Updated Draft Budget	2022/23 Band "D" Equivalent £
94,789	Education	100,817	756.05
Cr 87,281	Less costs funded through Dedicated Schools Grant*	Cr 92,411	Cr 693.01
7,508	Sub total	8,406	63.04
38,416	Childrens Social Care	40,905	306.76
73,985	Adult Care and Health	79,313	594.79
31,750	Environment & Community Services Portfolio	34,430	258.20
2,474	Public Protection and Enforcement	2,638	19.79
15,094	Renewal, Recreation and Housing	14,539	109.03
34,473	Resources, Commissioning & Contracts Management	32,741	245.53
1,888	Non Distributed Costs & Corporate & Democratic Core	1,284	9.63
205,588	Total Controllable Budgets	214,256	1,606.76
11,443	Total Non Controllable Budgets	11,506	86.29
Cr 853	Total Excluded Recharges	Cr 900	Cr 6.75
216,178	Portfolio Total	224,862	1,686.29
Cr 9,878	Reversal of Net Capital Charges	Cr 9,878	Cr 74.08
Cr 3,591	Interest on General Fund Balances	Cr 2,841	Cr 21.31
707	Contribution to Utilisation of New Homes Bonus for Housing	253	1.90
1,911	Utilisation of Prior Year Collection Fund Surplus/Set Aside		
14,880	Central Contingency Sum	17,395	130.45
	Levies		
464	- London Pensions Fund Authority*	478	3.58
247	- London Boroughs Grants Committee	247	1.85
262	- Environment Agency *	270	2.02
321	- Lee Valley Regional Park*	321	2.41
221,501	Sub Total	231,107	1,733.12
Cr 707	New Homes Bonus	Cr 253	Cr 1.90
Cr 40,874	Business Rate Retention (core funding)	Cr 42,057	Cr 315.40
Cr 5,153	Collection Fund Surplus (previous years)	Cr 4,100	Cr 30.75
	Council tax support - collection fund surplus	Cr 2,662	Cr 19.96
	One off 2022/23 Services Grant	Cr 2,652	Cr 19.89
548	Collection Fund Losses (net of grant)		
	Funding Covid cost pressures from Earmarked Reserve	Cr 548	Cr 4
175,315	Bromley's Requirement (excluding GLA)	178,835	1,341.13

\*Not yet confirmed

## 2022/23 CENTRAL CONTINGENCY SUM

£'000

**General**

Provision for Unallocated Inflation		3,164
General provision for risk/uncertainty		3,500
Provision for increase in employer national insurance-outsourced services		910
Provision for risk/uncertainty relating to volume and cost pressure		2,871
Increase in cost of homelessness / impact of welfare reforms		1,825
Universal credit roll out - impact on claimant fault overpayment recoveries		750
Tackling troubled families - Expenditure		628
Tackling troubled families - income	Cr	628
Growth for waste services		187
Set aside for homeless prevention initiatives		424
Set aside for homeless prevention initiatives - funding	Cr	424
Rough Sleeping Initiative		104
Rough Sleeping Initiative - funding	Cr	104
Deprivation of Liberty		118
Planning appeals - changes in legislation		60
Property Valuation		100
Legal support - childcare and adults social care		170
Provision for agency workers contract savings	Cr	260
Building Infrastructure Fund		2,000
Provision for potential loss of car park income		500
Property income recovery/rent variations		500
SEND Transport Growth		1,000
		<u>17,395</u>

There may 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 2021/22 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 key in recognition of the ongoing "structural" budget deficit facing the Council.

### 2. General Reserves

- 2.1. Bromley has estimated general reserves of £19.7 million as at 31st March 2022 (as reported to Executive on 24th November 2021), 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 (e.g. impact of Covid), the scale of mitigation/savings 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 £19.7m.
- 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 a requirement to fund capital expenditure from revenue balances or alternative financing options from 2023/24. The financing options will be reported to a future meeting of Executive. The action required depends on the cost of any future proposed scheme not currently included in the capital programme, review of existing programme and the Council's ability to realise future sales/disposals to generate capital receipts in order to avoid where possible funding from the Council's revenue budget, reserves or other financing options.
- 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 business rates and 'Fair Funding' review as well as other risks (e.g. medium term recession) and the organisation moving to become more 'self-sufficient'. There also remains the significant future financial risk relating to the impact of the Adult Social Care Reforms.
- 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 medium term '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 31/03/2021	Net Movement in 21/22	Balance at 31/03/2022	Net Movement in 22/23	Balance at 31/03/2023
	£'000	£'000	£'000	£'000	£'000
<b>EARMARKED BALANCES</b>					
LPSA Reward Grant	76	0	76	0	76
Technology Fund	1,298	0	1,298	0	1,298
LAA Pump Priming Grant	155	0	155	0	155
Town Centre Improvement Fund (LABGI)	55	0	55	0	55
Investment to Community	296	-68	228	-106	122
R & R Redundancy Reserve	116	0	116	0	116
Works to Property	100	0	100	0	100
Planning Services Charging Account	93	-210	-117	117	0
Government Grants	9,981	-85	9,896	-123	9,773
Invest to Save	18,227	-450	17,777	-889	16,888
One off Member Initiatives	823	-229	594	-431	163
Infrastructure Investment Fund	559	-40	519	0	519
Commissioning Authority Programme	365	0	365	0	365
Health & Social Care 'Promise Programme'	3,953	0	3,953	0	3,953
Housing Strategy Account	25	0	25	0	25
Community Right to Bid & Challenge	46	0	46	0	46
Winter Pressures	2,010	0	2,010	0	2,010
Refurbishment of War Memorials	13	0	13	0	13
Key Health & Social Care Initiatives	1,700	0	1,700	0	1,700
Integration of Health & Social Care Initiatives	1,614	0	1,614	0	1,614
Collection Fund Surplus Set Aside	31,791	1,911	33,702	-1,700	32,002
Healthy Bromley Fund	3,815	-338	3,477	-338	3,139
Glaxo Wellcome Endowment	86	-21	65	-21	44
Cheyne Woods and Cyphers Gate	138	-3	135	-3	132
Public Halls Fund	5	0	5	0	5
Future Repairs of 145, High Street	79	0	79	0	79
Parallel Fund	2,903	0	2,903	0	2,903
Health & Social Care Integrated Commissioning Fund	3,030	0	3,030	0	3,030
Financial Planning & Risk Reserve	10,000	0	10,000	0	10,000
Bromley Welfare Fund	492	-200	292	-200	92
Payment in Lieu Reserve for Temporary Accommodation	264	13	277	13	290
Business Rates Risk Reserve	4,200	0	4,200	0	4,200
Crystal Palace Park Improvements	26	0	26	0	26
Various Joint Schemes and Pump Priming Investments	3,710	0	3,710	0	3,710
Transition Fund	2,560	0	2,560	0	2,560
Environmental Initiatives	453	-63	390	-91	299
Planning/Planning Enforcement	15	0	15	0	15
Apprenticeship Scheme	152	-20	132	-20	112
Civic Centre Development Strategy	257	-50	207	-50	157
Professional Advice for Future Schemes	139	-55	84	-5	79
Utilisation of New Homes Bonus	3,868	0	3,868	0	3,868
Future Pensions Risk on Outsourcing	1,244	0	1,244	0	1,244
West Wickham Leisure Centre & Library Redevelopment	623	0	623	0	623
<b>Sub Total B/fwd.</b>	<b>111,355</b>	<b>92</b>	<b>111,447</b>	<b>-3847</b>	<b>107,600</b>

Description	Balance at 31/03/2021	Net Movement in 21/22	Balance at 31/03/2022	Net Movement in 22/23	Balance at 31/03/2023
	£'000	£'000	£'000	£'000	£'000
<b>Sub Total C/fwd</b>	<b>111,355</b>	<b>92</b>	<b>111,447</b>	<b>-3847</b>	<b>107,600</b>
Income Equalisation Reserve	5,310	0	5,310	0	5,310
Transformation Fund	1,245	0	1,245	0	1,245
Investment Fund	6,143	-2,339	3,804	-3,804	0
Growth Fund	21,376	-70	21,306	-58	21,248
Capital Funding for Property Disposal/Feasibility Works	78	0	78	0	78
Biggin Hill Airport Project	76	0	76	0	76
Transformation Programme	343	0	343	0	343
Housing Investment Fund	32,569	-18,036	14,533	-2,843	11,690
High Street & Parks Improvement Fund	71	-14	57	-57	0
Contribution to YES Funding for 2019/20	45	0	45	0	45
Day Centre Rent Relief	6	0	6	0	6
Housing Invest to Save	3,409	0	3,409	0	3,409
Health Facilities Fund	993	0	993	0	993
Health & Social Care Transformation Fund	1,500	0	1,500	0	1,500
Housing feasibility and viability	128	-128	0	0	0
Website Update	150	-75	75	-50	25
Carbon Neutral Initiatives Fund	875	0	875	-100	775
COVID recovery Fund	10,273	-5,625	4,648	-4,648	0
Walnuts Development	70	-40	30	-30	0
Hospital Discharge Funding	1,677	1,677	3,354	1,677	5,031
IT Services Procurement	197	0	197	0	197
Schools	2,550	0	2,550	0	2,550
DSG Reserve (new in 2020/21)	-1,139	-2,861	-4,000	0	-4,000
Insurance Fund	4,384	30	4,414	30	4,444
<b>Sub-total</b>	<b>203,684</b>	<b>-27,389</b>	<b>176,295</b>	<b>-13,730</b>	<b>162,565</b>
Business Rates Adjustment Account (new in 2020/21) *	63,407	-63,407	0	0	0
Collection Fund Deferred Costs Reserve (new in 2020/21)**	2,662	-362	2,300	-2,300	0
<b>TOTALS</b>	<b>269,753</b>	<b>-91,158</b>	<b>178,595</b>	<b>-16,030</b>	<b>162,565</b>

\* This balance was accounted for as a reserve at 31/3/21 on the basis that it is used to fund equivalent spend during 2021/22

\*\*This reserve represents grants received and accrued for in 2020/21 which will be used to fund related costs that accrue in 2021/22 and 2022/23

3.2 The report highlights the medium term '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 few years to create new earmarked reserves to support longer term investment and provide a more sustainable longer term financial position. The need for these reserves includes setting aside resources to support the Council's future transformation programmes (invest to save), housing the homeless initiatives, to generate sustainable income and the growth fund to support economic development and employment within the borough whilst generating income opportunities. These measures are important to provide sustainable solutions in the longer term.

3.3 A summary of other significant areas are:

- School Balances - these are unspent balances of budgets delegated to individual schools and these are legally only available to schools.

- Insurance Reserves – self-insurance is a mechanism used by a number of local authorities including Bromley. In the absence of any other statutory basis, sums held to meet potential and contingent liabilities are reported as earmarked reserves or provisions.
- Health and Social Care (various) – there are monies set aside as part of a Section 256 agreement with previous Bromley Clinical Commissioning Group (now Southeast London CCG) for the funding of future transformation / integration of health and social care and to contribute towards the financial sustainability of local health services that impact on social care.

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 31/3/19 was reported to Pensions Investment Sub Committee on 30st January 2020 and General Purposes and Licensing Committee on 11th February 2020. The Council's pension fund is now fully funded. The triennial actuarial valuation impacts on the budget from 2020/21 to 2022/23. The Council has received various national awards recognising the outstanding investment performance of its pension fund. The most recent award was the nationally recognised Public Finance Awards 2021 for 'Achieving Excellence in Asset Management'.

## **4. Budget Assumptions**

### **4.1 Treatment of Interest Rates and Inflation**

4.1.1 Despite the recent decrease in the Bank of England base rate from 0.1% to 0.25%, the rates that the Council obtains from lending to banks remain low. For now, this will continue to mean that any options with regard to the reinvestment of maturing deposits have become seriously limited following bank credit rating downgrades and a continued general low interest rate environment. However, the Council remains 'locked in' to several fixed-rate two-year lending deals that will yield a higher rate of return until they mature during either 2022/23 or 2023/24.

4.1.2 The Council has also benefitted from its revised strategy that enable it to make alternative investments of up to £100m which have generated additional income, at a rate higher than that available from bank lending. This has included increasing lending to Housing Associations and additional sums being invested in a Multi-Asset Income Fund. 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 2022/23 and Quarter 3 Performance 2021/22' report to Executive, Resources and Contracts PDS Committee on 7<sup>th</sup> February 2022.

4.1.2 For inflation, an overall allowance of 5% per annum has been built into the Draft 2022/23 Budget and financial forecast with an assumed 2.5% in 2023/24 reducing to 2% per annum from 2024/25. The current CPI of 5.4% (RPIX 7.7%) which is expected to increase further by the Spring before it is predicted to reduce to target levels (2%) in 2024 creates a

challenge to contain costs within the overall budget. The 2022/23 Central Contingency Sum does provide some funding towards funding this risk, where necessary.

## **4.2 Level and Timing of Capital Receipts**

4.2.1 Details of the level and timing of capital receipts, with an update on the overall funding position, are included in the 'Capital Programme Monitoring Q3 2021/22 and Capital Strategy 2022 to 2026' 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 There remain significant cost/growth pressures impacting on education, housing, adults and children's social care as well as opportunities for the mitigation of costs. The financial forecast elements are summarised below with more details reported to the previous meeting of the Executive.

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Growth/cost pressures	25,598	29,739	35,278	42,927
Mitigation	-14,881	-19,671	-22,570	-27,253
Net additional costs	10,717	10,068	12,708	15,674

4.3.3 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.

4.3.4 The draft 2022/23 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%, prior to the Covid pandemic. Other external debt collection was also high. The Covid pandemic has created new challenges and the Government has only partly funded consequential income losses. The Council will seek to take measures to assist in maximising the recovery of income, where possible. Maximising income recovery is essential to assist in funding key services. 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 the Transformation programme process to be able to generate savings as part of future years' budgets, as well as provide service improvements. The main issue remaining is to ensure that service managers continue to develop even

greater ownership of their budgets and have more sophisticated activity and performance information on the service which they are providing. Any overspending should require compensating savings to be identified.

#### **4.6 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 significant financial stop loss 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 2020/21', considered by the Resources, Commissioning and Contracts Management Portfolio Holder at the meeting of the E,R&C PDS Committee on 18th November 2021, 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 £19.5m by 2025/26, 'balance sheet' liabilities combined with the ongoing cost/growth pressures 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 arising from the review of local government finance 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, 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

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

4.11.3 The Council's investment income of £13.6m, assumed in the 2022/23 Budget, is shown below:

	£'m
Investment properties and rental income	10.8
Treasury Management Income	2.8
Total investment income	13.6

4.11.4 The Council has used existing resources in acquiring investment properties and has not utilised the option of borrowing. 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 has been prioritised for housing investment and regeneration/growth in local economy at this stage.

4.11.5 Details of the approach to treasury management is being reported to Executive, Resources and Contracts PDS meeting on 7<sup>th</sup> February 2022. 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. 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.



THE LONDON BOROUGH

Financial Services

Civic Centre, Stockwell Close, Bromley BR1 3UH

Telephone: 020 8464 3333 Direct Line: 020 8313 4338

Internet: [www.bromley.gov.uk](http://www.bromley.gov.uk)

Email: [peter.turner@bromley.gov.uk](mailto:peter.turner@bromley.gov.uk)

Local Government Finance Settlement Team  
Department for Levelling Up,  
Housing and Communities  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF

13th January 2022

Email: [lgfsettlement@communities.gov.uk](mailto:lgfsettlement@communities.gov.uk)

Dear Sir/Madam

**Provisional Local Government Finance Settlement 2022/23**

We welcome the continuation of the third year of no overall funding reductions, following 10 years of significant funding reductions and the additional funding provided to support Councils although this does not meet the full cost pressures facing the Council. We note that there is no additional core funding (excluding Adult Social Care Reforms) indicated for future years, despite ongoing cost pressures. The additional financial support for Covid in 2020/21 and 2021/22 was welcomed and the situation for 2022/23 should be reviewed whilst any restrictions continue, particularly given the financial risk inadequate funding creates.

There is a national recognition that Social Services is underfunded. One of Bromley's high-cost pressure relates to adult social care and a combination of funding through ASC precept and efficiencies for future cost pressures will not be sufficient to meet these pressures. There is still a need for a fundamental solution to address funding. The Council did not receive funding to match the cost pressures for social care, despite the significant cost pressures that must be met, and the main flexibility provided was to fund these costs through the Adult Social Care precept. There should be more Government funding provided rather than a reliance on local taxpayers to meet the significant costs. The NHS is receiving substantial increases in funding and there remains an interdependency between social care and NHS services which would require more funding for social care to ensure the NHS can deliver its key requirements.

The funding for Capping of Care Costs and Fair Cost of Care reforms does represent additional funding for local government but there will be significant reductions in income from the reforms as well as significant additional commissioning costs arising from the impact to Bromley. The



overall financial costs (including loss of income) is currently expected to exceed the level of funding available by in excess of £10m per annum. We recognise that a more detailed assessment would be required but this represents a new funding gap for the council in future years and therefore one of the most significant financial risks.

We welcome the additional national funding from the White Paper reforms and details of how this funding will be allocated and requirements is awaited. However, the cost pressures facing adult social care without adequate funding could impact on our ability to meet the ambitions of the reforms. A greater proportion of the adult and social care levy should be allocated to adult social care frontline services.

The impact on the pandemic and the 'new normal' will result in additional obligations and cost pressures for public health services. Despite this, we remain concerned that Public Health Grant remains flat in real terms over the next three years. Additional funding needs to be considered to reflect the ongoing impact and burdens on public health services.

Although not part of the Council's general fund there is a shortfall in funding (Dedicated Schools Grant) to meet the costs of SEND which is creating a deficit situation in future years. Although additional funding has been provided in 2022/23, which is welcomed, it does not adequately reflect the demographic changes and the increase in provision (and associated costs) for the borough. Although the DfE have tightened the ring-fence on the Dedicated Schools and introduced a statutory override last year, such changes are temporary and do not resolve the underlying deficits. We ask that the Government completes its awaited SEND review and provide adequate funding to prevent the medium- term funding shortfall and avoid a potential financial impact on the Council's general fund.

New burdens doctrine was expected to be transparent in recognising and funding additional cost pressures for local authorities arising from changes in government policy. Some of the cost pressures include new burdens such as, for example, no recourse to public funds, automatic enrolment, various changes from the Social Work Act, extended support to care leavers to the age of 25 years old, the previous lifting of the public sector pay cap, indexation and equalisation of guaranteed minimum pensions, deprivation of liberty, changes to national insurance costs, national living wage, the Homelessness Reduction Act and there are other examples where such burdens have not been adequately funded. DLUHC have recognised some of the pressures on adult social care and provided some limited flexibility to use grant funding for children's social care as well as the continuation of the Adult Social Care Precept for 2022/23. However, the further cost pressures on children's social care, special educational needs, long Covid and homelessness (consequence of welfare reform, impact of limiting local housing allowances and potential implications of universal credit including benefit cap) have not been fully recognised and have resulted in a significant additional cost burden which is not met by the funding provided. To illustrate the activity behind the cost pressure on homelessness facing Bromley, the total number housed in temporary accommodation is around 1,800.

We welcomed the review of children's social care launched by the Education Secretary in January 2021 which 'will set out to radically reform the system' and ask that this thoroughly considers the costs pressures on children's social care and the need for adequate funding to improve children's lives. The outcome, which is awaited, should identify the funding requirements for these services.

We recognise that the Government will continue to work with local authorities to undertake the Fair Funding Review and other significant changes, including the business rate review, which could have a significant impact on future finances for local authorities – the awaited outcome of this work also creates significant financial uncertainty in future financial planning to support key services. We recognise that this review is an opportunity to resolve 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.

Key asks for the next Spending Review and Fair Funding Review and its associated impact on funding for Bromley are summarised below:

- It should result in a mechanism to reward more efficient authorities (e.g. financial incentives in the system).
- It should recognise 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.
- The negative revenue support funding adjustment is clearly not 'fit for purpose' and should continue to be removed if it is necessary for the existing funding formula to continue whilst the outcome of the Fair Funding Review is awaited.
- It needs to recognise higher London costs which impacts on service costs and the financial impact of need. Bromley has one of the lowest Area Cost Adjustments for the London area and this needs to be reviewed more closely to reflect that, for example, costs in Bromley are as high as the South West of London.
- It should recognise that authorities with a low-cost baseline should not have to face a higher proportion of cuts to funding as part of any future austerity and thus recognised/compensated in any future funding arrangements.
- Remove restrictions that prevent local authorities from raising or spending their own resources - we need more flexibility in place to make the best use of our resources for our residents.
- We are experiencing increased pressures on our homelessness budgets through rising demand and higher costs. The impact of the benefit cap and LHA levels remaining low 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. The future Spending Review should recognise Bromley's (as well as a few other areas) cost pressures relating to homelessness.
- Bromley's population is expected to increase by more than the national average by 2030 - funding is currently not reallocated based on population growth and Bromley has a higher increase in over 65 years of age (18.9%) compared with rest of London (12.1%). Using GLA central estimates, between 2017 and 2037 over 65's are expected to increase by 44.4% and over 90's by 123.8% with an overall population increase of 18.8% during that period.
- Should have mechanisms in place to ensure new burdens are adequately funded.

- Benefits data which is used in determining needs assessment does not reflect low level of take up (can it be adjusted to reflect lower take up compared with rest of country?) or the impact of higher housing costs in London. Measuring deprivation levels after housing costs gives a more realistic assessment of disposable income.
- We have previously raised our concerns about the complexity and lack of transparency within the current local government finance system as well as the continued ring-fencing of some funding streams (including schools) which reduces flexibility to re-divert resources according to local priorities. We believe it is critical that these points are addressed as part of the future Fair Funding Review. It remains essential that any whole solution that provides a sustainable platform for the future includes resource equalisation and transitional arrangements.
- We request that the changes made by previous governments to give local authorities more control over the funding be reconsidered. This includes education funding and various other grant funding. The national formula funding for education reduced flexibility of funding for special educational needs and, whilst the additional High Needs funding is welcomed, there remains a risk of longer-term potential costs being ultimately met by the council taxpayer rather than through schools funding. Extension of legal duties, without additional funding being provided, has increased the cost pressure for the high needs service. This is coupled with the anomaly where the council taxpayer is required to fund special educational needs transport costs of around £8.5m per annum which should logically be funded through education funding as it is part of the overall SEN package of costs.
- Recognises the true financial impact of essential highways maintenance and repair in a geographically large borough with an extensive road network.
- The relative size of the Needs and Resource amounts are ultimately set by DLUHC on the basis of judgement - can some of the unique factors for Bromley be reflected in this to ensure low cost-efficient authorities are not penalised?
- Recognition of the medium- and longer-term impact of the impact of Covid-19 on local government costs (expected to increase) and income (expected to reduce). There would be further cost pressures arising from any recessionary impact on the economy from the Covid-19 situation as well the changes arising from the 'New Normal'. This has had a significant detrimental effect on the Councils budget challenges.

The above does not reflect all the asks and we recognise that the Government will continue to work with local authorities to undertake the Fair Funding Review and other significant changes, including the business rate review, which could have a significant impact on future finances for local authorities – the awaited outcome of this work also creates significant financial uncertainty in future financial planning to support key services. We recognise that this review is an opportunity to resolve 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.

Any early indications from the Fair Funding Review would be helpful, particularly given the need to plan for 2023/24 and future years. A one-year financial settlement, whilst there will be a review of funding for local government, creates uncertainty.

We recognise the difficulty in providing a longer-term financial settlement, given the current economic position, Covid situation and the associated 'new normal'. However, a one-year settlement does create uncertainty in future financial planning whilst other key organisations e.g.,

NHS are provided with a longer-term financial settlement.

It is important that this response is considered in the wider context of historic local government funding challenges and increasing demand for our services.

For 2022/23, Bromley will have the 2nd lowest level of settlement funding in the whole of London despite having the 7th highest population (excluding City of London). We are the largest London Borough in terms of geographical size, have the highest proportion of older people and the largest road network. The associated cost implications are not reflected in our settlement funding. If we received the average level of grant funding, our income would increase by £63m in 2022/23. It is essential that DLUHC reflect an adjustment to the Council's baseline funding position to address historic low funding levels in the future local government settlement, following the Fair Funding Review or future Spending Review.

During the period 2010/11 to 2019/20 we have faced government core grant reductions of around £77m per annum and delivered savings of £100m per annum. Although we have delivered further savings, any ongoing funding reduction (or standstill funding position) would become unsustainable for a low-cost authority. Bromley has managed its finances extremely efficiently despite having a low level of government funding and has managed to maintain a low council tax. Bromley has created a low-cost base through many pioneering measures taken including outsourcing on a large scale, transfer of housing stock, creation of leisure trust and relentless cost control. However, this provides a further challenge as our scope to achieve savings through efficiencies is significantly reduced compared with other high-cost authorities.

If there were no future cost pressures, then maintaining the level of Government funding and allowing flexibility in raising Council Tax would be financially sustainable. However, it is important to be realistic and recognise that the real challenge is dealing with increasing costs/income losses arising from new burdens not fully funded and increasing demand for services, immense pressure on adult and children's social care costs, Special Educational Needs and Disabilities (SEND) costs funded through the Council's general fund, rising population levels, the significant impact of homelessness pressures, meeting inflation costs and the ongoing impact of Covid-19 (i.e. 'New Normal'). Inflation, at its highest levels for 10 years adds to the financial pressures not matched fully by Government funding. To meet these challenges there needs to be a fairer level of funding to Bromley. This would be essential to provide a medium and longer term sustainable financial solution. This would enable the Council to meet the key services that matter to our residents and taxpayers.

We appreciate the ongoing support of Bromley's local MP's who have highlighted concerns about an ongoing poor financial settlement for Bromley and the need for a fairer system that rewards efficient low-cost councils and provides a 'fairer' level of funding in recognition of the needs of residents and council taxpayers.

There were 1,335 statutory duties as at June 2011, identified by the National Audit Office. There has been no overall reduction in statutory duties to date despite overall significant funding reductions. This provides a greater challenge for a low-cost authority like Bromley. This highlights the importance of considering the full impact of any changes affecting local government. The Government should consider reviewing the role and duties of local government to match the potential resources available.

Bromley had previously supported Government policy towards meeting austerity, seeking to generate economic growth through investing (and contributing to UK PLC) and keeping public sector costs low whilst driving out more efficiency. We also have the highest proportion of schools converted to academies.

We welcomed the provisional settlement for 2022/23 as providing much needed stability and a further step towards a more sustainable financial settlement. If the next Spending Review and future Fair Funding enables a more sustainable funding approach it would be welcomed and enable the Council to provide key services to its residents, support the Government's objectives and support the local economy with a resultant benefit on national economic growth which is key to providing revenues to Government to support services that matter to taxpayers and council taxpayers.

Responses to specific questions raised through the consultation are attached.

To allow for enough time to meet statutory council tax deadlines and our annual billing deadlines, it is important that the final 2022/23 Local Government Finance Settlement is published before the end of February to enable sufficient time for final key decisions to be made.

Both Members and Officers remain keen to work with the Government to help find positive solutions that work for our residents and taxpayers to meet future service priorities in the shorter term as well as the longer term. Bromley Council appreciates the opportunity to respond to the consultation on the 2022/23 Provisional Local Government Finance Settlement.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Peter Turner', written in a cursive style.

Peter Turner  
Director of Finance

## **RESPONSE TO CONSULTATION QUESTIONS**

### **Question 1: Do you agree with the government's proposed methodology for the distribution of Revenue Support Grant in 2022/23, including the rolling in of two New Burdens grants?**

Although the distribution formula urgently needs to be updated given the delayed Fair Funding Review, we recognise that the proposed approach to distributing RSG is a reasonable interim measure. Low cost and well-run authorities should not be penalised with a negative RSG requirement and we are pleased that this is recognised in the provisional settlement. The Fair Funding Review reforms are essential to the effective delivery of important services to the public and must provide a robust system for ensuring that resources are allocated accordingly and recognise the need for a better funding deal for Bromley.

### **Question 2: Do you agree with the proposed package of council tax referendum principles for 2022/23?**

Bromley continues to oppose the 'capping' of council tax increases through the mechanism of referendum principles. Council tax is the only locally determined tax and local authorities must have full flexibility in how it is used as well as how it is set that strikes the appropriate balance between local resources and needs. 'Capping' restricts local decision making. No central government tax is subject to the same approach.

If there is to be a continuation of the ASC precept in future years, we would urge the Government to allow flexibility for it to be spent on both adult and children's social care as most London boroughs are experiencing large funding pressures in children's social care as well as in adults.

### **Question 3: Do you agree with the government's proposals for the Social Care Grant in 2022/23?**

The additional funding for social care is welcome and much needed. We also welcome the fact that the Social Care Grant will not be ringfenced, and conditions or reporting requirements will not be attached.

However, Bromley disagrees with the proposed method for distributing funding for both children and adult social care using solely the adult social care RNF. If the intention is for this funding to alleviate pressure on both adult and children's social care, its distribution should reflect relative levels of needs in both services. We urge the Government to set out why it is not using the existing children's social care funding formula.

There is an inconsistency in the proposed allocation method for the Social Care Grant, which is partly reduced for Bromley to reflect equalisation for what can be raised in the Adult Social Care Precept. If the precept remains solely for adult social care, and the support grant for both children's and adult social care, this is effectively reducing the funding available for children's social care pressures.

This settlement represents a short-term approach to social care funding and await the outcome of the Government's commitment to set out its long-awaited visions for social care reform in 2021 and would wish to actively engage in that process.

Although the additional funding is welcome it will not match the scale of cost pressures in adult's and children's social care, special education needs (general fund) which reflects demographic changes, impact of Covid and higher inflation being experienced.

#### **Question 4: Do you agree with the government's proposals for iBCF in 2022/23?**

Bromley welcomes the continuation of the iBCF funding which supports social care. However, the inflationary increase in grant funding does not cover the costs pressures and the ongoing impact of hospital discharge arrangements necessary given the impact of the increase in numbers on NHS waiting list affected by the ongoing impact of the pandemic and consequences of long covid.

#### **Question 5: Do you agree with the government's proposals for distributing the Market Sustainability and Fair Cost of Care Fund in 2022/23?**

Without robust data, it is sensible to initially distribute the funding through the existing ASC funding formula. We welcome DHSC engagement with local authorities to determine the future distribution of funding. However, we estimate that the overall national funding and allocation to authorities such as Bromley, following the commencement of the changes (October 2023), will be significantly less than the financial impact of the changes to Bromley. Bromley has a high proportion of self-funders in residential care and older people, compared with many social care authorities, and the future allocation of funding needs to reflect the impact of this. Without a formula that reflects the full cost of the change and the impact at individual local authority, there could be a potential financial shortfall, after funding, in excess of £10m per annum. A more detailed assessment by the Council would be required and this represents a significant financial risk to the Council - the overall future funding should reflect the cost of these changes, adopting the principal of any policy change being adequately funded (Government's New Burden Doctrine).

#### **Question 6: Do you agree with the government's proposals for a one-off 2022/23 Services Grant distributed using 2013/14 shares of the Settlement Funding Assessment?**

Bromley welcomes the additional new one-off "Services Grant". However, any one-off funding provides uncertainty on the allocation for future years which has a detrimental impact on effective financial planning. This represents more than half of the allocation from the new £1.5bn of grants funding in the settlement. However, it is unclear why the 2013-14 SFA formula is being used as the basis for distribution rather than the 2022-23 formula, and the Government should clarify the rationale behind this.

#### **Question 7: Do you agree with the government's proposals for New Homes Bonus in 2022/23?**

We welcome the continuation of funding of New Homes Bonus allocations in 2022/23 but are disappointed with the continuing long-term uncertainty on funding. There has been a long series of adjustments over the years that have reduced the incentive provided by the bonus. Having consulted in the spring, it is unclear why the outcome of the consultation has not been published or why confirmation over the future of the NHB was not provided until the Provisional Local Government Finance Settlement 2022/23 leaving authorities with no certainty to plan for this funding stream. Any reforms to the bonus, or indeed a successor scheme, must ensure it truly incentivises house building in areas of the country facing the greatest housing pressures.

**Question 8: Do you agree with the government's proposals for Rural Services Delivery Grant in 2022/23?**

Bromley disagrees with the provision of additional funding to rural areas, through this mechanism. The existence of the Rural Services Delivery Grant remains based on an unclear evidence base. All funding allocated through this separate grant could otherwise have been distributed more fairly across all local authorities in England based on proven need and also recognise the unique pressures faced by urban areas.

**Question 9: Do you agree with the government's proposal for the Lower Tier Services Grant, with a new minimum funding floor in 2022/23 so that no authority sees an annual reduction in Core Spending Power?**

We welcome the Lower Tier Services Grant and agrees to the no loss principle that a minimum funding floor provides.

**Question 10: Do you have any comments on the impact of the proposals for the 2022/23 settlement outlined in this consultation document on persons who share a protected characteristic, and on the draft policy impact statement published alongside the consultation document? Please provide evidence to support your comments.**

Bromley has no comment to add.