

Report No.
FSD23012

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker: **Executive**

Date: **8th February 2023**

Decision Type: Non-Urgent Executive Key

TITLE: 2023/24 Council Tax

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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 and the funding strategy were reported to the previous meeting of the Executive.
- 1.2 The Provisional Local Government Finance Settlement 2023/24, which covers 2023/24 only with limited indication of funding for 2025/26, provides the fourth year (following 10 years of austerity) of real increases in funding. The settlement includes continuation of the ASC precept, repurposed social care funding, additional adult social care funding and other changes.
- 1.3 Although the settlement is to be welcomed there remains uncertainty around the level of Government funding for 2024/25 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) is not expected until 2026/27.
- 1.4 This report identifies the final issues affecting the 2023/24 revenue budget and seeks recommendations to the Council on the level of the Bromley element of the 2023/24 Council Tax and Adult Social Care precept. Confirmation of the final GLA precept will be reported to the Council meeting on 27th February 2023. 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 2023/24 but to have measures in place to deal with the medium-term financial position (2024/25 to 2026/27).

- 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 real terms, from 2025/26.

2. RECOMMENDATIONS

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

- (a) Approves the overall Dedicated Schools Budget (DSG) of £98.7m which matches the estimated level of Dedicated Schools Grant (DSG), after academy recoupment;
- (b) Approves the draft revenue budgets (as in Appendix 2) for 2023/24;
- (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 18th January 2023;
- (d) Approves a general contingency sum of £18,957k (see section 6);
- (e) Approves the following provisions for levies for inclusion in the budget for 2023/24;

	£'000
London Pension Fund Authority*	460
London Boroughs Grant Committee	246
Environment Agency (Flood defence etc.) *	272
Lee Valley Regional Park *	353
Total	1,331

* 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 2023/24 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 16.8);
- (j) Agrees that the Director of Finance be authorised to report any further changes directly to Council on 27th February 2023.

Impact on Vulnerable Adults and Children

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

Policy Status: Existing Policy
MBB 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: £189m Draft 2023/24 Budget (excluding GLA precept)
 5. Source of funding: See Appendix 2 for overall funding of Council's budget
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Personnel

1. Number of staff (current and additional): total employees – full details will be available with the Council's 2023/24 Financial Control Budget to be published in March 2023
 2. If from existing staff resources, number of staff hours – N/A
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Legal

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

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

Estimated number of users/beneficiaries (current and projected) - the 2023/24 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 2023/24 Budget and Update on the Council's Financial Strategy 2024/25 to 2026/27' was reported to the Executive on 18th January 2023. 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 18th January 2023)

- (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 2023/24 (Section 6.2 and Appendix 2);
- (c) Council Tax Levels and Government Funding per Head (Appendix 3);
- (d) Latest Financial Forecast (Section 5 and Appendices 5-6);
- (e) Changes since the 2022/23 Budget that impact on the Financial Forecast (Section 6);
- (f) Detailed Draft 2023/24 Budget (Section 10 and Appendix 7);
- (g) Options being undertaken with a "One Council" approach including Transformation (Section 11);
- (h) Impact of Operational Property Review/Property Disposals and Addressing Funding of Capital Programme (Section 11.3);
- (i) Housing Provision (Section 12);
- (j) Adult Social Care Reform Update (Section 13);
- (k) Future Local Authority Landscape (Appendix 4);
- (l) The Schools' Budget (Section 23);
- (m) Consultation (Section 28);
- (n) Position by Portfolio – Key Issues/Risks (Section 29 and Appendix 8).

All the above should be considered with this report as part of finalising the 2023/24 Budget and council tax levels.

4. 2023/24 DRAFT BUDGET AND CHANGES SINCE LAST MEETING OF THE EXECUTIVE

- 4.1 The last report to the Executive identified a balanced budget in 2023/24, assuming an illustrative increase in council tax/adult social care precept of 4.99%, and a 'budget gap' of £29.6m per annum by 2026/27. The main updates are shown below:

- (a) The final Local Government Financial Settlement 2023/24 is still awaited (expected mid-February 2023) and any updates will be provided at the meeting;
- (b) Additional homelessness prevention grant funding as well as new burdens funding for domestic abuse (increase of £360k) and the budget assumes that this would meet equivalent grant related expenditure;
- (c) Confirmation that council tax benefit administration grant had been rolled into core grant funding;
- (d) Grant conditions relating to new Adult Social Care Grant are still awaited;
- (e) Public Health Grant for 2023/24 is yet to be announced;
- (f) Any final changes will be reflected in an updated 2023/24 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:

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Variations Compared with 2022/23 Budget				
Net changes in Government core funding (mainly inflation)	-2.7	-3.7	-4.6	-5.6
Cost Pressures				
Increased costs (8% in 2023/24, 4% in 2024/25 and 2% per annum thereafter)	25.0	37.4	43.2	49.0
Total Additional Costs	25.0	37.4	43.2	49.0
Revenue impact of funding the Capital Programme and reduction in investment income (reported to previous meeting of Executive)	6.6	6.6	6.6	6.6
Income / Savings				
Interest on balances	-7.0	-7.0	-4.0	-4.0
Net impact of repurposed ASC Reform Monies (2023/24 and 2024/25)	-5.9	-8.9	-8.9	-8.9
Release general provision in contingency for significant uncertainty/variables	-5.8	-6.8	-7.8	-7.8
Release of hospital discharge monies to support revenue budget	-1.7	-1.7	-1.7	-1.7
Adult Social Care Market Sustainability and Improvement Fund - grant related income	-2.8	-4.9	-4.9	-4.9
Adult Social Care Market Sustainability and Improvement Fund - grant related expenditure	2.8	4.9	4.9	4.9
Adult Social Care Discharge Fund (through BCF)	-1.1	-1.7	-1.7	-1.7
Transformation Savings (net)	-2.9	-4.1	-4.4	-4.5
CIL Funding Opportunities	-0.7	-1.7	-2.1	-2.1
Total Income / Savings	-25.1	-31.9	-30.6	-30.7
Other Changes (includes use of non-recurring funds)				
Real Changes and other Variations	-0.2	0.0	-0.5	0.5
Total Other Changes	-0.2	0.0	-0.5	0.5
Council Tax				
Fall out of Collection Fund Surplus 2020/21 used to support 2022/23 Budget	2.4	2.4	2.4	2.4
Use of Collection Fund Surplus 2021/22 to support 2023/24 Budget	-5.4	0.0	0.0	0.0
Collection Fund Surplus 2022/23 (estimated) to support 2024/25 Budget	0.0	-5.0	0.0	0.0
Future years collection fund surplus (estimated)	0.0	0.0	-4.0	-2.0
Estimated increase in council tax base	-1.0	-1.5	-1.5	-1.5
Total Council Tax	-4.0	-4.1	-3.1	-1.1
Growth/Cost Pressures including mitigation (see Appendix 6)				
- Education	1.0	1.3	1.6	2.2
- Children's Social Care	6.5	6.4	6.3	6.2
- Adults Social Care	3.9	6.7	8.7	14.5
- Housing	-0.2	0.1	0.7	2.2
Variation in car park income	0.5	0.0	0.0	0.0
Reduction in investment property income	1.6	1.3	1.3	1.3
Other growth/cost pressures - Resources	1.5	1.0	1.0	1.0
Fall out of two year addt provision for building maintenance	-1.0	-1.0	-1.0	-1.0
Parks Infrastructure Fund	0.4	0.4	0.4	0.4
Building Infrastructure Fund (2 year funding falling out in 2024/25)	0.0	-2.0	-2.0	-2.0
Variation in freedom pass costs to reflect impact of post Covid usage	1.0	3.9	6.2	6.2
Total growth/cost pressures	15.2	18.1	23.2	31.0
Sub-total	14.8	22.4	34.2	49.7
Increase in ASC precept and Council Tax (assume 4.99% in 2023/24 and 2024/25 with 2.99% per annum thereafter)	-9.0	-18.4	-24.3	-30.3
Use of Covid earmarked reserves (reduction/fall out of funding)	1.2	3.3	5.8	5.8
Use of previous Collection Fund Surplus to meet budget gap (earmarked reserve)	-7.0	-5.6	-5.6	4.4
Remaining "Budget Gap"	0.0	1.7	10.1	29.6

- 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 4.99%, with continuation of use of Covid and collection fund reserves, the impact of transformation and other savings. The additional Government funding is welcomed and this has helped deliver the balanced budget despite the significant cost/growth pressures and high inflation. Each 1% council tax/adult social care precept increase generates on-going annual income of £1.8m. Ongoing increases of 4.99% in 2024/25 and 2.99% per annum from 2025/26 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 £1,408.05 (4.99% increase in council tax or adult social care precept) and Appendix 3 includes the Draft 2023/24 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 £1.7m in 2024/25 rising to £29.6m per annum in 2026/27. 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 2025/26 have to be treated with some caution, particularly with the uncertainty on future government funding.
- 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 £120m 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 27th February 2023 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, further growth pressures are contained, and planned mitigation/savings are delivered.
- 5.9 In the financial forecast, after allowing for inflation, council tax income and other changes, there is a significant unfunded budget gap from 2025/26. 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 2023/24 CENTRAL CONTINGENCY SUM

- 6.1 Details of the 2023/24 Draft Contingency Sum of £18,957k 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 2023/24 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 2023/24 Budget.
- 6.3 The updated financial forecast assumes the release of £5.8m in 2023/24, £6.8m in 2024/25 and £7.8m per annum from 2025/26 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 £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 £10,273k 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 £2,771k), the 2023/24 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 £13,044k (£5,848k in 2022/23, £4,648k in 2023/24 and £2,548k 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 £18.5m as at 31/3/23. A full breakdown of earmarked reserves is detailed in Appendix 4.

8. 2022/23 BUDGET MONITORING

- 8.1 The 2022/23 financial monitoring position reported to the Executive on 30th November 2022 showed an overall net overspend of £9,568k within portfolio budgets, a £5,740k credit variation on contingency, additional income of £3,000k for interest on balances and other changes of £185k. Details were reported in 'Budget Monitoring 2022/23' report to that meeting. This represents the impact of the first six months of the financial year and the full year impact of 2021/22 outturn. The most significant financial risk to the Council currently is the significant increase in inflation during 2022/23 which was not reflected in Government funding for 2022/23.

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:-

PROVISIONAL DSG FUNDING					
	Schools	High Needs	Early Years	Central	Total
	£'000	£'000	£'000	£'000	£'000
2022/23	245,142	67,544	21,011	2,091	335,788
2023/24 (provisional)	257,152	74,086	22,252	2,046	355,536
Variation	12,010	6,542	1,241	-45	19,748

- 9.3 The figures in the table above are provisional and subject to change once DfE issue any updates in due course.
- 9.4 The Schools Block has risen by £12m. This is due to an increase in the per pupil unit of funding and increases in the population figures. This includes the previous year supplementary grant of £7.1m which was paid as a separate grant in 2022/23. Allowing for the £7.1m grant the funding increase is £4.9m. The majority of this funding will be top sliced and returned to DfE to fund Academy Schools.

- 9.5 There has also been an announcement of additional supplementary grant of £8.754m for 2023/24 for schools. This was originally 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 2023/24 only as the intention is to integrate this into the DSG from 2024/25 onwards.
- 9.6 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 2023/24.
- 9.7 The DSG allocation has resulted in an increase in high needs block funding of £6.5m for Bromley. £2.9m of this amount was announced in the Autumn spending review in recognition of increases in costs above and beyond the previous spending review and is intended to reflect likely cost increases local authorities and special schools will face in the provision for children and young people with high needs.
- 9.8 DfE has stipulated how this funding can be distributed to maintained special schools, special academies, pupil referral units and AP academies and therefore there are some restrictions on the use of this additional grant. The previous year's supplementary grant of £2.4m has been merged into the 2022/23 baseline figure
- 9.9 The remaining £3.6m is due to increases in per pupil funding and the increase in pupils themselves.
- 9.10 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 2024/25.
- 9.11 Early Years funding has increased by £1.241m. DfE have increased the part time equivalent (PTE) rates by 60p per hour for two-year-old funding and 29p per hour for three- and four-year-old funding for 2023/24. This has increased the grant by £1.227m. The assumption for volumes of hours (PTE's) remains the same for 2023/24 as the latest volumes for the 2022/23 DSG as DfE use January 2022 data. However this will change once the January 2023 census is published which will affect the figures. The remaining £14k increase is due to increases in Early Years Pupil Premium (EYPP) and Disability Access Funding (DAF).
- 9.12 The Central Block has decreased by £45k. The per pupil rate fell by 2.5% (the equivalent of a loss of £52k). £7k 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 £460k of core LBB funding to underpin this expenditure. A further £50k is being proposed for 2023/24 bringing the total Council core funding to £510k.

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 27th February 2023. 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 For the purpose of Collection Fund accounting, the treatment of council tax and business rate surpluses and deficits is determined in the same way. Before the beginning of each financial year, billing authorities calculate their council tax requirement (including precepts) and their business rate income, and such payments are fixed and paid over the year towards the revenue budget. Any surplus or deficit on the collection fund as a result of income from council tax/ratepayers being more or less than originally estimated, are shared between the Council and the GLA (and in the case of business rates with central government). Any surplus/deficit generated is paid over the course of the second year (e.g., surplus for 2021/22 paid over 2023/24).
- 11.3 The collection fund had a non-recurring council tax surplus of £6.9m reflected in the 2021/22 Provisional Final Accounts report to the Executive on 29th June 2022. A sum of £5.4m will be allocated to the Council, with the £1.5m going to the Greater London Authority. The financial forecast assumes that the surplus will be used towards reducing the Council's budget gap in 2023/24.
- 11.4 The financial forecast assumes further surplus would be generated allocating an estimated £5m in 2024/25, £4m in 2025/26 and £2m in 2026/27.

12. THE GREATER LONDON AUTHORITY PRECEPT

- 12.1 The GLA's 2023/24 Draft Budget has been issued for consultation and the Mayor of London announced a proposed increase of 9.7% in the existing GLA precept levels for 2023/24. The final GLA precept for 2023/24 is expected to be announced after the Assembly has considered the Mayor's draft consolidated budget on 23rd February 2023.

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

- 13.1 The latest estimated general fund (revenue) balance at 31st March 2023, as shown in the 'Budget Monitoring 2022/23' report to Executive on 30th November 2022 is provided below:

	2022/23 Projected Outturn £'Million
General Fund Balance as at 1 st April 2022	20.0
Impact of net projected overspends reflected in the 2022/23 budget monitoring report	-1.0
Adjustment to Balances: Carry forwards (funded from underspends in 2021/22)	-0.5
Estimated General Fund Balance at 31 st March 2023 (end of year)	18.5

- 13.2 The 'Capital Strategy 2023/24 to 2026/27 & Q3 Capital Programme Monitoring' report to Executive on 18th January 2023 considered the impact of the potential acquisition of the Direct Line site, further costs relating to depot works, new capital schemes and the outcome of Operational Property Review and Property Disposals reports to Executive on 30th November 2022. The report also considered the impact of the capital funding shortfall relating to existing schemes. Members agreed at the meeting to the following:
- (a) refinancing existing housing schemes through long-term borrowing at an estimated £49.2m, which enables the reuse of earmarked reserves (previously identified for housing) to support the capital programme;
 - (b) utilisation of earmarked reserves of up to £10m to support funding of the Council's capital programme;
 - (c) all new housing schemes to be funded by long-term borrowing. subject to the business case, ensuring the proposals generate overall financial savings to the Council.
- 13.3 The existing housing schemes (see 13.2 (a)) all delivered significant savings to the Council through reduced temporary accommodation costs and would have been considered to be funded through borrowing – the Council owned sites will form part of any future Housing Revenue Account proposal, depending on the specific scheme. More background information was also provided in the Draft 2023/24 Budget and Update on Council's Financial Strategy 2024/25 to 2026/27' report to the last meeting of Executive (Section 11.3 of the report).
- 13.4 There will be a report later this year on the maintenance liabilities of the Churchill Theatre and a way forward – a sum of up to £5m has been included in the proposed capital programme at this stage for essential works, where required.
- 13.5 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 18th January 2022, requested that the 'Draft 2023/24 Budget and Update on Council's Financial Strategy 2024/25 to 2026/27' 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 27th February 2023 where the 2023/24 Budget and Council Tax will be agreed.
- 14.2 In the two weeks up to 25th January 2023, the Council asked residents for their views on their priorities for the 2023/4. At the time of writing this report final responses are awaited and an update will be provided at this meeting.
- 14.3 The use of DSG was considered by the Schools Forum on the 26th January 2023, and this was previously reported to the Children, Education and Families Budget Sub-Committee on the 19th January 2023. At the time of writing this report, this is subject to the formal agreement of the Children, Education, and Families Portfolio Holder.
- 14.4 Consultation papers have been sent to Bromley Business Focus, Federation of Small Businesses (Sevenoaks & Bromley Branch) and the 20 largest business ratepayers in the borough. At the time of writing this report no responses have been received.
- 14.5 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 high inflation 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 2023/24 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 2023/24

- 16.1 The Council’s tax base, reflected in the Draft 2023/24 Budget, is 134,093 ‘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 £1,341.13 in 2022/23 and a further sum of £395.59 for the GLA precept (providing a total Band D equivalent Council Tax of £1,736.72).
- 16.2 For 2023/24, 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 £1.8m.
- 16.3 The Government has enabled the Council in 2023/24 to have a council tax precept of up to 2% per annum to specifically fund adult social care. Councils are able to levy the precept on top of the existing freedom to raise council tax by up to 2.99% without holding a referendum. As part of the Localism Act, any council tax increase (including ASC precept) of 5% or above in 2023/24 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.
- 16.4 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.
- 16.5 The Draft 2023/24 Budget assumes a Bromley element of a 4.99% council tax increase, including the Adult Social Care Precept, and combined with an increase in the GLA Precept of 9.7% (see Section 12) there would be an overall combined council tax increase of around 6.1%. This would equate to an overall Council Tax (Band D equivalent) of £1,842.19 consisting of the Bromley element of £1,408.05 and GLA precept of £434.14.
- 16.6 The table below identifies the changes required to the draft 2023/24 Budget to achieve different levels of increases in the Bromley element of the council tax. An increase of 4.99%, has been assumed in the 2023/24 Draft Budget at this stage.

Increases in Council Tax Levels

Bromley Element % Increase in 2023/24 including Adult Social Care Precept	Additional Income 2023/24 £'m
Freeze	NIL
1.0	1.8
2.0	3.6
3.0	5.4
4.0	7.2
4.99*	9.0
6.0#	10.8

*Assumed in draft 2023/24 Budget. # Would be subject to a council tax referendum

- 16.7 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 2023/24 but also the longer-term impact over the four-year forecast period.
- 16.8 The Council Tax Referendum Principles are expected to be confirmed as part of the final Local Government Finance Settlement 2023/24. Any final recommendations on council tax levels will need to take into account any changes to statutory requirements.
- 16.9 Bromley has the second lowest settlement funding per head of population in 2023/24 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.
- 16.10 Members are asked to consider the impact of the latest draft budget on the level of Council Tax for 2023/24, having regard to all the above factors including the Director of Finance comments in Sections 18.11 to 18.18 and Appendix 4.

17. FUNDING SETTLEMENT

- 17.1 Details of the Council's Provisional Local Government Finance Settlement 2023/24 were reported to the previous meeting of the Executive. The Council's response 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 2023/24 represents an ongoing improvement in funding from Government (compared with period 2009/10 to 2019/20) it does not represent a medium-term settlement.

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, 2021/22 and 2022/23. For 2023/24 the Council has received a more generous settlement which includes additional funding for social care, including the repurpose of Adult Social Care Reform monies and a new Adult Social Care Grant. However, this needs to be considered in the context of the 'new normal' (post Covid), significant increases in inflation since 2022/23 and the

considerable cost pressures across service areas facing local government. Austerity measures for future years, from 2025/26, will be a consideration but this will depend on the need for a sustainable economic recovery. It is currently predicted that it could take more than a decade to return UK public finances to full health. Therefore 'flat' real terms funding for councils may be the best-case scenario from 2025/26. The Government will need to address the impact of the public finances from the Covid situation. Although, the Government did give positive recognition of the need for funding for local government, as part of the 2023/24 Provisional Local Government Finance Settlement, funding may remain '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 The Provisional Local Government Finance Settlement 2023/24 mainly provides funding proposals for one year only and the financial forecast assumes that various elements of the additional funding will continue in future years. It is clear that the Government have provided some recognition of the importance of local government in delivering key services but there remains uncertainty on whether the level of funding increases would continue in the future. There is uncertainty on the future arrangements for devolution of business rates and the awaited Government's 'Fair Funding' review which may result in new responsibilities for the Council and associated risks. The changes will not be implemented until at least 2026/27 whilst the forecast assumes that Government funding will remain at a standstill from 2025/26. Financial challenges are expected to continue beyond the financial forecast period whilst the forecast assumes that the level of core grant funding will not reduce from 2025/26.
- 18.3 Appendix 4 identifies the need for the Council to retain adequate level of reserves to assist in remaining financially sustainable. Key decisions were made by Members at the last meeting of the Executive to identify the significant financial challenges arising from the Operational Property Review and the need to address the significant shortfall in funding of the Council's capital programme. The approach avoided creating potential new financial risks for the Council and it is important to continue to ensure the need for sustainable solutions to funding any future capital cost pressures.
- 18.4 The previous budget report to the Executive referred to the projected earmarked reserves being expected to reduce from £258.6m as at 31/3/22 to £114.8m by 31/3/26. Given the potential funding required towards the capital programme of up to £10m (see 13.2 (b)), a proposal elsewhere on this agenda and after allowing for the insurance fund, schools reserves, and monies retained for health that available sum is reduced to £86m. It is important to note that the earmarked reserves are available to support services and deal with future budget risks as well as income volatility. In other words, it is not simply spare resources and thus has been mainly set aside for other earmarked purposes. If used for capital funding the earmarked reserves would no longer be available for the other purposes. The Council also has general reserves, currently estimated at £18.5m.
- 18.5 In terms of budget planning the combined impact of the Council's budget gap for the next four years equates to £41.4m and combined with a potential future DSG deficit of say £10.9m over 4 years (total of £52.3m) would result in a significant reduction in reserves without action being taken to address the budget gap.

- 18.6 Appendix 4 highlights key factors to determine the sustainable level of one-off reserves that should be retained and the significant value of retaining such reserves.
- 18.7 The Council also has a Central Contingency sum to cover risk/uncertainty in the future included in the base budget (see Section 6.5). The updated financial forecast assumes the release of £5.8m in 2023/24 rising to £7.8m per annum from 2025/26.
- 18.8 For financial planning purposes (illustrative) , the financial forecast assumes a council tax increase of 4.99% per annum for 2023/24 and 2024/25 reducing to 2.99% from 2025/26 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 2023/24, 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.
- 18.9 The Budget Strategy has to be set within the context of continuing cost pressures while Government funding remains broadly at ‘standstill’ levels from 2025/26, 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.
- 18.10 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.
- 18.11 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 £120m 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 from 2025/26. Therefore, future government funding is not expected to meet future year cost pressures and new burdens which will continue over the next four years.
- 18.12 It is essential that action continues to mitigate the significant cost pressures – the 2023/24 Budget and 2024/25 to 2026/27 forecast assumes growth pressures of £39.5m offset by mitigation of £25.3m (net increase of £14.1m) which increases to £81.8m and £55m respectively (net increase of £26.8m) as shown below:

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Growth/cost pressures	39,479	50,751	68,680	81,807
Mitigation	-25,339	-34,530	-49,600	-55,038
Net additional costs	14,140	16,221	19,080	26,769

Details were reported to previous meeting of Executive

- 18.13 In addition, transformation savings of £2.9m have been included in the 2023/24 Budget rising to £4.5m per annum by 2026/27.

18.14 Without containment of growth/cost pressures or delivery of the combined mitigation and transformation savings of £59.5m per annum by 2026/27, 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. Although the 2023/24 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.

18.15 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.

18.16 The Council still remains “better placed’ than many other authorities due to having planned low borrowing levels (allocated for housing), retaining adequate level of reserves and with provisions remaining (although significantly reduced) 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, delivering planned mitigation and transformation savings as well as minimising any further cost/growth pressures are essential to identify options from 2024/25 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. The Council will need to reduce this dependency on the use of reserves to support the revenue budget in the longer term if it is to retain a financial sustainable position.

18.17 Commentary on the level of reserves and robustness of the 2023/24 Budget are provided in Appendix 4.

18.18 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 2023/24 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 2023/24 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 2023/24 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 11th March in any year. The adoption of the budget and the setting of the council tax are matters reserved for the Council upon recommendation from the Executive. In coming to decisions in relation to the revenue budget (and the Council Tax), the Council and its officers have various statutory duties. In general terms, the Council is required by the Local Government Finance Act 1992 to make estimates of gross Revenue expenditure and anticipated income, leading to a calculation of a budget requirement and the setting of an overall budget (and Council Tax). The amount of the budget requirement must be sufficient to meet the Council's legal and financial obligations, ensure the proper discharge of its statutory duties, and lead to a balanced budget.
- 22.2 Schedule 72 to the Localism Act 2011 inserted a new section IVZA in the Local Government Finance 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.
- 22.3 The Education Act 2005 introduced the concept of a funding period, which allows for the introduction of multiple year budgets rather than the setting of financial year budgets.
- 22.4 The making of these budget decisions at full Council is a statutory responsibility for all Members. The Council should be satisfied that the proposals put forward are a reasonably prudent use of resources in both the short and long term, and that the interests of both Council Taxpayers and ratepayers on the one hand and the users of Council services on the other are both taken into account. The Council has a number of statutory duties which it must fulfil by law. Although there can be an element of discretion on level of service provision. The Council also discharges a range of discretionary services. The Council is not bound to carry out such activities in the same way as it is for statutory duties, however, it may be bound contractually to do

so. A decision to cease or reduce provision of a discretionary service must be taken in accordance with sound public /administrative law decision making principles. The Council must also comply with the Public Sector Equality Duties in section 149 of the Equality Act 2010. In doing so, the Council must have due regard to elimination of discrimination, harassment and victimisation, advance equality of opportunity and foster good relations with persons who share a protected characteristic.

- 22.5 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.
- 22.6 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.

<p>Background documents</p>	<p>Treasury Management – Annual Investment Strategy 2023/24 and Quarter 3 Performance 2022/23, Executive, Resources and Contracts PDS Committee and Council, 6th February 2023 and 27th February 2023 Draft 2023/24 Budget and Update on Council’s Financial Strategy 2024/25 to 2026/27, Executive, 18th January 2023 Capital Strategy 2023/24 to 2026/27 & Q3 Capital programme Monitoring, Executive 18th January 2023 Operational Property Review, Executive, 30th November 2022 Property Disposals, Executive, 30th November 2022 Budget Monitoring 2022/23, Executive, 30th November 2022 Provisional Final Accounts 2021/22, Executive, 29th June 2022 2022/23 Council Tax, Executive 9th February 2022</p>
<p>Financial Considerations</p>	<p>Covered within overall report</p>

DRAFT 2023/24 BUDGET AND FINANCIAL FORECAST 2024/25 TO 2026/27

APPENDIX 1

	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Bromley's Budget Requirement in 2022/23 (before funding from Formula Grant) @	221,663	221,663	221,663	221,663	221,663
Formula Grant and Business Rate Share	-42,828	-42,828	-42,828	-42,828	-42,828
Inflation allowance		-4,172	-5,112	-6,071	-7,049
Grants to be consolidated into core funding		279	279	279	279
	178,835	174,942	174,002	173,043	172,065
Market sustainability and Fair Cost of Care Fund and Capping of Care Costs		-4,824	-5,628	-8,040	-8,040
Grant related expenditure for above		4,824	5,628	8,040	8,040
Assumed fall out of one off service grant		1,158	1,158	1,158	1,158
Changes in Government Core Funding		1,158	1,158	1,158	1,158
Cost pressures					
Increased costs (8% in 2023/24, 4% in 2024/25 and 2% thereafter)		25,150	37,345	43,174	49,004
Total additional costs		25,150	37,345	43,174	49,004
Revenue Impact of Funding the Capital Programme and reduction in investment income to fund schemes (See		6,600	6,600	6,600	6,600
Income/Savings					
Interest on balances		-7,000	-7,000	-4,000	-4,000
Repurposed ASC Reform Monies (2023/24 and 2024/25)		-6,500	-9,500	-9,500	-9,500
Release general provision in contingency for significant uncertainty/variables		0	-1,000	-2,000	-2,000
Less ILF monies replaced		600	600	600	600
Reduction in central contingency sum to offset significant inflation costs (inflation and risk reserve reduced)		-5,800	-5,800	-5,800	-5,800
Release hospital discharge to support revenue budget		-1,677	-1,677	-1,677	-1,677
Adult Social Care Market Sustainability and Improvement Fund - grant related income		-2,800	-4,900	-4,900	-4,900
Adult Social Care Market Sustainability and Improvement Fund - grant related expenditure		2,800	4,900	4,900	4,900
Adult Social Care Discharge Fund (through Better Care Fund)		-1,083	-1,710	-1,710	-1,710
Transformation Savings		-2,926	-4,065	-4,415	-4,480
CIL Funding Opportunities		-680	-1,680	-2,080	-2,080
		-25,066	-31,832	-30,582	-30,647
Other changes					
Real Changes and other Variations		-238	4	-541	536
		-238	4	-541	536

Council Tax				
Fall out of Collection Fund Surplus 2020/21 used to support 2022/23 Revenue budget	2,400	2,400	2,400	2,400
Collection Fund Surplus 2021/22 used to support 2023/24 Revenue Budget	-5,400	0	0	0
Collection Fund Surplus 2022/23 (estimated) used to support 2024/25 Revenue Budget	0	-5,000	0	0
Future years collection fund surplus	0	0	-4,000	-2,000
	-3,000	-2,600	-1,600	400
Growth/Cost Pressures including mitigation (See also Appendix 6)				
- Education	952	1,317	1,630	2,180
- Children's Social Care	6,500	6,400	6,300	6,200
- Adults Social Care	3,855	6,703	8,725	14,452
- Housing	-156	60	716	2,228
Variation in car park income	500	0	0	0
Fall out of two year addt provision for building maintenance	-1,000	-1,000	-1,000	-1,000
Parks Infrastructure Fund	400	400	400	400
Building Infrastructure Fund (Fall out of 2 year funding from 2024/25)	0	-2,000	-2,000	-2,000
Reduction in investment property income	1,556	1,308	1,276	1,276
Other growth pressures -Resources	1,533	1,033	1,033	1,033
Variation in freedom pass costs to reflect impact of post Covid usage	990	3,818	6,152	6,152
Total growth/cost pressures	15,130	18,039	23,232	30,921
Budget Requirement				
2023/24 Council Tax Income	-178,835	-178,835	-178,835	-178,835
Illustrative increase in ASC precept and Council Tax (assume 4.99% in 2023/24 & 2024/25 and 2.99% per annum thereafter)	-8,992	-18,364	-24,261	-30,333
Estimated increase in council tax base	-1,000	-1,500	-1,500	-1,500
Budget Gap before use of one off collection fund surplus and Covid reserve	5,849	4,017	9,889	19,369
Use of earmarked reserves				
Gradual fall out of use of Covid earmarked reserve towards funding Covid cost pressures	1,200	3,300	5,848	5,848
Collection Fund surplus to meet future years budget gap	-7,411	-8,300	-8,300	1,700
Fall out of Government funding towards additional council tax support costs (held in reserve)	362	2,662	2,662	2,662
	-5,849	-2,338	210	10,210
Revised Budget Gap	0	1,679	10,099	29,579

1) The above forecast assumes, for illustrative purposes, a 4.99% increase in ASC precept/ Council Tax for 2023/24 & 2024/25 and 2.99% per annum thereafter.

SUMMARY OF DRAFT 2023/24 REVENUE BUDGET - PORTFOLIO

2022/23 Final Budget	Portfolio/Item	2023/24 Updated Draft Budget £'000	2023/24 Band "D" Equivalent £
98,429	Education	106,206	792.03
Cr 92,411	Less costs funded through Dedicated Schools Grant*	Cr 98,674	-735.86
6,018	Sub total	7,532	56.17
41,485	Childrens Social Care	47,102	351.26
80,790	Adult Care and Health	83,895	625.65
34,213	Environment & Community Services Portfolio	37,910	282.71
2,644	Public Protection and Enforcement	3,182	23.73
14,555	Renewal, Recreation and Housing	15,448	115.2
40,774	Resources, Commissioning & Contracts Management	47,928	357.42
1,284	Non Distributed Costs & Corporate & Democratic Core	1,361	10.15
221,763	Total Controllable Budgets	244,358	1,822.30
4,043	Total Non Controllable Budgets	4,823	35.97
	Additional Revenue Expenditure Funded From Capital Under Statute	4,832	36.03
Cr 942	Total Excluded Recharges	Cr 947	-7.06
224,864	Portfolio Total	253,066	1,887.24
Cr 9,878	Reversal of Net Capital Charges	Cr 9,930	-74.05
	Additional Capital Grants Funding Revenue Expenditure Under Statute	Cr 4,832	-36.03
Cr 2,841	Interest on General Fund Balances	Cr 9,841	-73.39
	Contribution to Carbon Neutral Initiatives Fund		
253	Contribution to Utilisation of New Homes Bonus for Housing		
	Utilisation of Prior Year Collection Fund Surplus/Set Aside		
18,208	Central Contingency Sum	18,957	141.37
	Contingency Provision for Revenue Impact of Capital Financing Programme	6,600	49.22
	Levies		
447	- London Pensions Fund Authority*	460	3.43
247	- London Boroughs Grants Committee	246	1.83
263	- Environment Agency *	272	2.03
315	- Lee Valley Regional Park *	353	2.63
231,878	Sub Total	255,351	1,904.28
Cr 253	New Homes Bonus		
Cr 42,828	Business Rate Retention	Cr 42,828	-319.39
Cr 2,652	Reduced funding following continuation of one off service grant	Cr 1,494	-11.14
	Increase in funding (inflation)	Cr 4,172	-31.11
Cr 2,400	Collection Fund Surplus (previous years)	Cr 5,400	-40.27
Cr 2,662	Council tax support - collection fund surplus	Cr 366	-2.73
Cr 1,700	Collection Fund Surplus - set aside for future years	Cr 9,111	-67.95
	Collection fund surplus for future years (council tax support)	Cr 2,300	-17.15
Cr 548	Funding Covid cost pressures from Earmarked Reserve		
	Use of Specific Earmarked reserve created during 2022-23 to fund additional social work post	Cr 870	-6.49
178,835	Bromley's Requirement (excluding GLA)	188,810	1,408.05

* The highlighted budgets above are still in draft with final allocations still awaited.

2023/24 CENTRAL CONTINGENCY SUM**February Exec**

General		
Provision for Unallocated Inflation		10,630
General provision for risk/uncertainty		3,500
Adult Social Care Market Sustainability and Improvement Fund		2,800
Building Infrastructure Fund		2,000
SEND Transport Growth		1,000
Property income recovery/rent variations		500
Grants to be consolidated into core funding and no longer reflected in departmental budgets		0
Legal support - childcare and adults social care		170
Property Valuation		100
Planning appeals - changes in legislation		60
Social Care grant re asc reforms	Cr	720
ASC Discharge Fund	Cr	1,083
Increase in Homelessness Prevent Grant and Domestic Abuse Grant Related Expenditure		360
Increase in Grant related income for Homelessness Prevention and Domestic Abuse Expenditure	Cr	360
		<u>18,957</u>

Contingency Provision for Revenue Impact of Capital Financing Programme	<u>6,600</u>
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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 2023/24 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 £18.5 million as at 31st March 2023 (as reported to Executive on 30th November 2022), 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. future implementation of Adult Social Care Reforms), 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) Need to retain significant reserves until there are detailed plans to address the significant budget gap over 4 years;
- (l) You cannot reinstate reserves through borrowing in the future to compensate – once reserves are used, they are gone;
- (m) Within two years, the Council loses significant flexibility within the central contingency sum, following a reduction of £6.8m per annum by 2024/25;

- (n) The financial challenges facing the Council reduce the ability/flexibility to top up reserves in future years (historically used collection fund surplus, new homes bonus and contingency to top up reserves).
 - (o) 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 To address the previously identified funding shortfall of the capital programme combined with the impact of the operational property review and considering potential capital receipts from disposals, the Capital Programme Review report to the previous meeting of the Executive resulted in agreement to refinancing housing costs through borrowing, thus releasing previously utilised earmarked reserves (which was set aside to enable internal borrowing), combined with the balance of funding of up to £10m from earmarked reserves. In addition, any future housing scheme subject to suitable business case, will be considered to be funded through borrowing. The recent housing related schemes provided significant savings on temporary accommodation costs and would have been considered to be funded through borrowing – the Council owned sites will form of any future Housing Revenue Account proposal, depending on the specific scheme. These funding changes will ensure that an adequate level of reserves are retained by the Council to deal with future financial challenges. There will be a need for an ongoing review of funding for any further significant increase in costs of the Council's capital programme.
- 2.5 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. The Council continues to face significant financial risks in the future which includes, for example, the potential impact of the Adult Social Care Reforms.

- 2.6 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;
 - (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.
- 2.7 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.
- 2.8 An 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 consider

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:

Balance c/f from previous page	147,692	-13,345	134,347	-10,549	123,798	-20,000	103,798	-10,000	93,798
Housing Investment Fund*	24,974	-11,276	13,698	-14,900	-1,202		-1,202		-1,202
Housing Invest to Save*	3,409	-2,409	1,000	-1,000	0		0		0
Health Facilities Fund	993	0	993	0	993		993		993
Health & Social Care Transformation Fund	1,500	0	1,500	0	1,500		1,500		1,500
Housing feasibility and viability	108	-175	-67	-92	-159	-60	-219		-219
Carbon Neutral Initiatives Fund	875	0	875	0	875		875		875
Hospital Discharge Funding	3,354	0	3,354	0	3,354		3,354		3,354
IT Services Procurement	0	0	0	0	0		0		0
COVID recovery Fund	13,043	-5,800	7,243	-4,600	2,643	-2,500	143		143
Platinum Jubilee Fund	1,000	0	1,000	0	1,000		1,000		1,000
Capital Fund	2,900	0	2,900	0	2,900		2,900		2,900
CCG Contribution to Children Education and Families Investment Fund	814	-814	0	0	0		0		0
Investment Fund	6,130	14,316	20,446	-5,785	14,661	0	14,661	0	14,661
Other Minor Reserves	1,217	0	1,217	0	1,217	0	1,217	0	1,217
Sub-Total	208,009	-19,503	188,506	-36,926	151,580	-22,560	129,020	-10,000	119,020
Schools	2,807	0	2,807	0	2,807		2,807		2,807
DSG Reserve (new in 2020/21)	-7,142	-5,000	-12,142	-3,798	-15,940	-3,262	-19,202	-2,238	-21,440
Insurance Fund	4,002	0	4,002	0	4,002		4,002		4,002
Sub-Total	207,676	-24,503	183,173	-40,322	142,449	-25,822	116,627	-12,238	104,389
Business Rates Adjustment Account 2020/21	0	0	0	0	0		0		0
Collection Fund Deferred Costs Reserve (new in 2020/21)**	4,945	-2,662	2,283	-2,283	0		0		0
Business Rates Adjustment Account 2021/22 ***	45,935	-45,935	0	0	0		0		0
TOTAL	258,556	-73,100	185,456	-42,605	142,449	-25,822	116,627	-12,238	104,389

The above Earmarked Reserves projections reflects estimated movements but could be subject to change

* Owing to the refinancing of existing Housing Schemes at an estimated £49.2m through long term borrowing, the reserves previously identified for housing will be repurposed to support future capital expenditure.

** This Reserve represents grants received and accrued for in 2020/21 & 2021/22, which will be used to fund costs that will accrue for during 2022/23 & 2023/24.

*** Although the Council is required to account for these balances as Reserve in 2021/22, it is important to note that equivalent and offsetting spend will be incurred during 2022/23.

- 3.2 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 ICS) 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.
- 3.3 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.
- 3.4 The outcome of the actuarial valuation as at 31/3/22 will be reported to Pensions Investment Sub Committee on 22nd February 2023. The Council’s pension fund remains fully funded. The triennial actuarial valuation impacts on the budget from 2023/24 to 2025/26 and there are no changes in the overall employer contribution/oncost for the future service costs. 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 The interest on balances budget for 2023/24 has been set at £9,841k (2022/23: £2,841k). Owing to succession of increases in the Bank of England base rate, counterparty rates have improved considerably and are currently in excess of 4%. Although income from interest is expected to rise significantly compared to the prior year, the budget also reflects an expected reduction in balances available for investment as a result of the probable utilisation of capital receipts, grants/contributions, as well as drawings from the Council’s earmarked revenue reserves.
- 4.1.2 Reports to previous meetings had highlighted the fact that options with regards to the reinvestment of maturing deposits had become limited in recent years following bank credit rating downgrades and the prevailing low interest rate environment – though this has now ended. Changes to lending limits and eligibility criteria, as well as the introduction of other investment types (e.g. housing associations and sovereign bonds) have mitigated this to some extent.
- 4.1.3 Additionally, the treasury management strategy has previously been revised to enable alternative investments of £100m in pooled investments which generate additional income of approximately £2m compared with lending to banks. Officers continue to

explore alternative investment opportunities, both within the current strategy and outside, for consideration as part of the ongoing review of the Council's treasury management activity.

- 4.1.4 For inflation, an overall allowance of 8% per annum has been built into the Draft 2023/24 Budget and financial forecast with an assumed 4% in 2024/25 reducing to 2% per annum from 2025/26. The current CPI of 10.5% (RPIX 12.9%) is expected to reduce significantly during the year. The Bank of England reported that CPI inflation remains elevated at over 10% in the near term'. They also state that 'CPI inflation is expected to remain close to 11% through the remainder of Q4. It then eases towards 10% in 2023 Q1, before falling further in subsequent quarters'. However the Monetary Policy Committee (MPC) views 'that the risks to the inflation projection are skewed to the upside'. A challenge remains to contain costs within the overall budget, particularly as many contract price reviews reflect January or February annual inflation increase.

The 2023/24 Central Contingency Sum does provide some funding towards this financial 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 Strategy 2023/24 to 2026/27 & Q3 Capital Programme Monitoring' report to the previous meeting of the Executive.

4.3 Revenue Impact of the Capital Programme

- 4.3.1 A sum of £6.6m per annum has been included in the Draft 2023/24 Budget to reflect the financial impact of the revised capital programme (2023/24 to 2026/27) reported to previous meeting of Executive.
- 4.3.2 The Council's future capital strategy (2023/24 to 2026/27) reported to previous meeting of Executive included details of proposed Public Loans Work Board (PWLB) borrowing to refinance existing housing schemes, coupled with the drawdown from the Council's earmarked revenue reserves to support future capital spending. These impact on the Council's revenue budget through the required annual repayment of the PWLB borrowing – estimated at £3.2m, and interest foregone by utilising monies that would otherwise yield at least 4% through treasury management investments – this amounts to £400k annually. Furthermore, as part of the Council's capital strategy a number of assets had been approved for disposal and this is expected to result in the loss of £3m annually in rental income. Overall, therefore annual capital financing costs are included in the budget at £6.6m per annum. The ultimate revenue impact will depend on the phasing of costs, impact of changes in building costs (inflation and supply), timing of disposals, income foregone from interest earnings and latest prevailing borrowing rates – for this reason a sum of £6.6m has not been allocated to Portfolio Budgets at this stage given the overall revenue impact uncertainty - this will be reviewed as part of the capital programme and revenue budget quarterly monitoring reports to future Executive meetings.

4.4 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.

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Growth/cost pressures	39,479	50,751	68,680	81,807
Mitigation	-25,339	-34,530	-49,600	-55,038
Net additional costs	14,140	16,221	19,080	26,769

4.3.3 It remains essential that there is the ongoing scrutiny and review of growth/cost pressures, which are mainly unfunded beyond 2025/26 with options to help achieve a balanced budget, including any mitigation over the financial forecast period.

4.3.4 The draft 2023/24 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 had created new challenges and the Government has only partly funded consequential income losses. The Council will seek to progress in maximising the recovery of income and deal with increases in arrears caused by restrictions in recovery during the Covid period. Maximising income recovery is essential to assist in funding key services. As the Council moves to a low borrowing 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 2021/2022', considered by the Resources, Commissioning and Contracts Management Portfolio Holder at the meeting of the E,R&C PDS Committee on 23rd November 2022, gives more background information. An additional one-off contribution of £500k has been added to the insurance fund and the contribution is reflected in the 2023/24 Budget.

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 £29.6m per annum by 2026/27, '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 (delayed until 2025/26, but more realistically 2026/27) 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 investment to save as well as investment in the future development within the borough 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 £15.3m, assumed in the 2023/24 Budget, is shown below:

	£'m
Investment properties and rental income	7.5
Treasury Management Income	7.8
Total investment income	15.3

4.11.4 The total income for the year will be dependent on the impact on any investment property disposals during the year to help finance the Council's wider capital programme.

4.11.5 In acquiring investment properties the Council had used existing resources and did not utilise the option of borrowing. The Council will retain the key investment assets through any future recession period which significantly reduces the longer-term capital risk of the investment.

4.11.5 Details of the approach to treasury management is being reported to Executive, Resources and Contracts PDS meeting on 6th February 2023. 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.



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16th January 2023

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Dear Sir/Madam

Provisional Local Government Finance Settlement 2023/24

We welcome the continuation of the fourth 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 welcome the 'repurposed' funding to support social care as well as the additional adult social care funding. However this has to be considered in the context of ongoing service pressures and the significant impact of higher inflation. The retention of the Service Grant, in part, is also to be welcomed as well as greater flexibility in considering council tax levels to fund key services.

For 2023/24, 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 £51m in 2023/24. 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 a future Spending Review.

There is a national recognition that Social Services is underfunded and there remains the uncertainty relating to the funding requirements for the Adult Social Care reforms relating to Fair Cost of Care and Capping of Care Costs. There is still a need for a fundamental solution to address long term funding. The Council did not receive funding to match the cost pressures for children social care, homelessness and high needs, despite the significant cost pressures remaining that must be met. There should be more Government funding provided rather than a reliance on local taxpayers to meet the significant costs. We recognise that the NHS is receiving substantial increases in funding and there remains an interdependency between social care and NHS services which would require ongoing consideration of diverting some of that funding towards adult social care to ensure the NHS can deliver its key requirements.

The delay in implementing the Capping of Care Costs and Fair Cost of Care reforms is welcomed but there is a significant funding risk for Bromley, once implemented. It is important to fully consider the implications and funding requirements of the significant reductions in income from the reforms as well as significant additional commissioning costs arising from the impact to Bromley.

Previous work undertaken by the Council identified that the overall cost of implementing the reforms compared with the originally planned level of funding (now 'repurposed') would result in a funding shortfall in excess of £10m per annum. We recognise that a more detailed assessment would be required and if implemented this could represent a new funding gap for the council in future years. This remains one of the most significant financial risks.

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 an annual deficit situation which is increasing in future years. Although additional funding has been provided in 2023/24, 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 continued with the statutory override for the medium term, such changes remain 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. The Government should also avoid the perverse situation where authorities that build large deficits receive additional funding when some of that deficit may be created by poor use of resources – there should not be financial compensation which could unintentionally subsidise poor performance.

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, 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 2023/24. 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 (frozen in 2023/24, despite a buoyant private rented sector resulting in higher rents) 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 nightly paid accommodation is around 1,100.

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 full outcome is expected shortly and needs to identify the funding requirements for these services to enable sustainable funding.

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 – it appears to be delayed till 2025/26 or more realistically 2026/27 which is disappointing, given the reliance on core funding data going back to 2013/14 and in some cases census data of 2001. There have been significant changes in demographics during that period which has had a negative financial

impact on the borough with no compensation from revised formula funding. The delay in the Fair Funding Review, combined with one-year financial settlement (with limited indication for 2024/25) 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.
- Recognition of the significant inflation increases across the Council's services together with the revenue impact of Council's Capital programme with cost increases arising from the implications of high inflation, supply availability issues and increasing financing costs.
- 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 (frozen in 2023/24) 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 7% by 2033, this is a greater increase than the expected national average of 3.5%. Funding is currently not reallocated based on population growth. Using GLA central estimates, between 2023 and 2043 over 65's

are expected to increase by 41% and over 90's by 72% with an overall population increase of 14% 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 £9.7m per annum which should logically be funded through education funding as it is part of the overall SEN package of costs.
- The Government should remove any funding mechanism that could create a perverse situation where poor performance is compensated e.g. high needs, whilst not recognising fully deficits created by inadequate funding rather than poor practices.
- 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?
- In funding local government, recognition of the medium- and longer-term impact of inflation which is impacted not only by the Russia Ukraine war but implications of deglobalisation and other geo-political factors. There would be further cost pressures arising from the economy entering into a recessionary period. Without adequate funding there is a 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 consider bringing forward 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. A one-year financial settlement (with limited funding guarantees identified for 2024/25) creates uncertainty.

We recognise the difficulty in providing a longer-term financial settlement, given the current economic position. 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.

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 future 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 to allow for inflation 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, children's social care, Special Educational Needs and Disabilities (SEND) funded through the Council's general fund, homelessness costs, rising population levels and meeting inflation costs. Inflation, at its highest levels for 41 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, without the significant dependency on increasing on council tax, with a referendum limit considerably lower than inflation. 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 2023/24 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 2023/24 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 2023/24 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 2023/24

Although the distribution formula urgently needs to be fully 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 government's proposals to roll grants into the local government finance settlement in 2023/24?

We welcome the Government steps to simplify the funding environment by rolling in more grants to core funding. We welcome more flexibility in how we use the funding.

Question 3: Do you agree with the proposed package of council tax referendum principles for 2023/24?

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.

As 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 many boroughs are experiencing large funding pressures in children's social care as many well as in adults.

Question 4: Do you agree with the government's proposals for a new Funding Guarantee?

We understand the rationale around the funding guarantee but lower tier councils face pressures due to inflation and this represents moving funding from lower tier services grant to a funding guarantee which mainly benefits district councils (99% of beneficiaries are districts). Any funding guarantee should be funded from additional rather than existing resources.

Question 5: Do you agree with the government's proposals on funding for social care as part of the local government finance settlement in 2023/24?

We welcome the significant additional funding to support social care. We seek assurances that the 'repurposed' funding (previously set aside for Adult Social Care Reforms) can be retained to support key services with separate funding being provided when the delayed Adult Social Care Reforms are implemented (revised date of October 2025). As indicated in the main letter, it is essential that the cost implications of the Adult Social Care Reforms are fully assessed, prior to implementation, to ensure adequate funding is provided.

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, it's 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.

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 6: Do you agree with the government's proposals for New Homes Bonus in 2023/24?

Although we recognise the continuation of funding of New Homes Bonus, the allocation to Bromley is minimal (£9,450). There remains 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. 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 7: Do you agree with the government's proposals for Rural Services Delivery Grant in 2023/24?

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 8: Do you agree with the government's proposals for Services Grant in 2023/24?

Bromley welcomed the additional new one-off "Services Grant" introduced in 2022/23. It is helpful that the funding will continue, although at a reduced level. However, the cut to the service grant needs to be explained in more detail to determine how the cut is going to Supporting Families programme and the funding the reversal of the policy to increase National Insurance Contributions. We recognise that an element of the monies has been held back in contingency (£50m nationally) and we urge that it is distributed as part of the final 2023/24 Settlement. It is unclear why the 2013/14 Settlement Funding Assessment (SFA) formula is being used for distribution rather than 2023/24 SFA and we would seek clarification on this approach.

Question 9: Do you have any comments on the impact of the proposals for the 2023/24 settlement outlined in this consultation document on the aims outlined above? Please provide evidence to support your comments.

Please refer to covering letter