

## **Bournemouth Council Budget 2017/18 Statement by the Leader of the Council, Cllr John Beesley**

I am pleased to propose the 2017/18 Budget to the Council.

Despite the huge challenges we have increasingly faced since 2010, the effective management of the Council's finances has never been as crucial as it is today. The financial position presented to us is unprecedented. In the 2017/18 financial year the Council will be receiving £51m per annum less in core government funding when compared to the 2010/11 financial year. To put this in context, the budget for the Council in 2016/17 was a net £135m. It is clear that the scale of the challenge the Government has already implemented is stark indeed.

However, Government cuts are only part of the challenge. In addition, the Council has to manage both increasing demand for, and the increasing cost of, Council services. Demand is growing for services such as Adults' and Children's Social Care and Homelessness. Costs are increasing due to the impact of the Living Wage (particularly in the care sector), pay and price increases in general, the impact of the three yearly Pension Fund revaluation and the new Apprenticeship Levy, to name but a few.

Of course, we are still only part way through the austerity journey for Local Government. It is clear that the cuts in Government funding will continue to the point where by financial year 2020/21 Bournemouth is unlikely to be receiving any core Government funding, with all Council services being funded locally through fees and charges, commercial activities, council tax, and our share of business rates.

We now spend approximately 41% of our budget specifically on Adult Social Care. All things being equal, we should be spending £21m less per annum on ASC as a proportional share of the £51m of Government annual cuts. The fact that the budget for this service area continues to grow demonstrates that the Council is and will continue to prioritise investment in such vital frontline services for vulnerable residents. In this context it is interesting to bear in mind that in Dorset, we are ahead of the national average by some considerable margin with 25% more over 80's projected to be in the County by 2019.

A key principle in setting this Budget and maintaining the Medium Term Financial Plan is that it will underpin the Council's delivery of services for residents and allow us to continue our ambition of 'Building a Better Bournemouth'.

Our vision remains to be a top performing, efficient Council, leading Bournemouth to greater economic prosperity. This sets the scene for how we will continue to organise and focus our resources, despite the increasingly challenging revenue budget.

Ambition 2020 – Building a Better Bournemouth, was approved by the Council on 17 June

2014, and highlights the Council's commitment to four key priorities: –

- An Efficient Council
- An Active Community
- An Improving Environment
- A Thriving Economy

I will highlight some of our successes in these areas later.

From 2010, the previous coalition Government's financial strategy to address the national debt and ongoing deficit proved to have very tough outcomes for Local Government whilst most other parts of the public sector were protected.

For Dorset, the December 2016 provisional 2017/18 Local Government Finance Settlement reaffirmed the Government's previous commitment to completely removing the Revenue Support Grant (RSG) for all Dorset authorities, with the exception of Bournemouth, by 2019/20. In Bournemouth we will lose the small part of what remains by the following year 2020/21. The position however is actually worse than that as the Government has implemented a process which effectively sees the amount of business rates that Councils in Dorset are allowed to retain reduced by negative RSG, so that resources can be redistributed nationally based on perceived need. In Bournemouth's case this amounts to £600k in 2019/20.

This isn't a new challenge of course; it is a reality we have lived with and adapted to for some time. However, what is different now is the further depth of the funding cuts. I fear we will soon see headlines where some councils, less prepared for this than we are, becoming unviable and unable to deliver even statutory services, particularly in Adult Social Care. We therefore await the Government's announcement of the final settlement for 2017/18 with some anxiety.

For Bournemouth, the settlement was as poor as expected with a potential loss of funding of nearly £58m by 2019/20. Our forecasting of the scale of reductions perhaps seemed rather pessimistic, but has proved accurate, enabling us to respond and make decisions now that will ease the pressure on services in the future.

The Revenue Support Grant (RSG) reduction for 2017/18 is a hugely significant £6.9m or 36.8% of the amount remaining after the cuts of the past 6 years. The impact for 2018/19 is a reduction in RSG of a further £4.4m.

In addition, the Government's settlement announced changes to New Homes Bonus (NHB) which will see a £241m reduction nationally. Previous indications were that NHB would be reduced from 2018/19 to enable the Government to redistribute resources to social care

authorities through the New Better Care Fund. The provisional settlement included a proposal to bring this approach forward into 2017/18 reducing the number of years on which the scheme is based from six down to five and so on for four years from 2018/19 onwards. The scheme will also now only reward growth in new homes above 0.4% per annum.

The reduction in the NHB grant of £241m has been redistributed to Upper Tier Authorities by way of a one-off Adult Social Care Support Grant for 2017/18 based on the adult social care relative needs formula.

We strongly believe that this approach has been poorly thought through. The Government is actually making the funding position for Bournemouth and our residents even worse. The Government has gone to great lengths to lead people to believe that they are providing Councils with much needed support to address the Adult Social Care funding crisis. For Bournemouth the reality could not be further from the truth. In our case, and a third of upper tier authorities, the amount they are permanently taking from us in New Homes Bonus, at £1.7m, is almost twice the amount they are making available to us in the form of a new one-off Adult Social Care Grant at £888k. This is yet another unplanned financial pressure imposed by the Government and is obviously unacceptable. This is also the position taken up by the Local Government Association in their lobbying of the Government and in our discussions with our local MPs.

There is also continued disappointment that the Government does not acknowledge the costs and demands associated with Local Authorities' responsibilities for Looked After Children. Similar to Adult Social Care, a decision by Government to do nothing fundamental to fund these services is impacting negatively on all our other Council services here in Bournemouth and across the Country.

The settlement contains some further information on the introduction of the national scheme for 100% business rates retention which the Government has promised by the end of this Parliament. However, the mechanism for the distribution of this funding has not been established, although we do know that it will not be uniform throughout the Country and we should not make the assumption we will do any better than our current forecasting. Indeed, it is unlikely to make up our funding shortfall and is widely expected to introduce yet more unfunded responsibilities.

However, as in previous years, we will not let the demanding financial position distract us from our vision. We have had to take many difficult decisions already but our financial strategy has held us in very good stead, and relative to many other councils we are in a more sustainable position. However, there is absolutely no room for complacency. We recognised very early that we needed to respond to an £8m funding gap in the base budget to balance the books for 2017/18 in addition to known pressures of £9.6m. We have identified savings of over £13m and this, coupled with additional Council Tax revenue, including the Adult Social

Care precept, has enabled us to meet our targets. This is testimony to the hard work of Portfolio Holders and Officers working closely together to establish financial stability for the Council as a whole.

The scale of recent reductions to our Revenue Support Grant is significant and amounts to over £40.2 million being removed from Bournemouth's income since 2011/12, a total loss of 77% to date and far, far more than the 28% originally set out by the Government in its Comprehensive Spending Review plans in 2010. In addition, the effects of cost shunting continue to exert pressures on the Council's finances, especially in the area of Health funding.

We have worked hard to ensure that Bournemouth Council is in a stable financial position. Due to careful financial planning and despite receiving much less Government grant funding, year on year in each of the last six years, we have been able to balance the Budget. In turn, our financial success as a Council strongly supports residents, particularly vulnerable adults and children, and Bournemouth's local economy.

We are proud too of our record on Council Tax. Until this year, Bournemouth Council Tax payers had not seen an increase in their Council Tax bills during the previous five years, despite the police and fire services increasing their precepts in this period. However, the Government's strategy has radically changed and for a second year we will have to increase Council Tax again. We do not make this decision lightly and hope that residents recognise that by not increasing Council Tax in recent years has meant that bills were approximately £150 per annum lower than they could have been had we made modest increases each year. In response, we have continued to press hard to achieve further efficiencies throughout the Council.

I mentioned earlier about nothing being guaranteed in local government finance and that is also true of Government policy on Council Tax. The previous Secretary of State was a firm advocate of not increasing Council Tax and provided freeze grants to help achieve this end. However, there has been a clear and unequivocal shift from this policy by the Government. Freeze grants are no longer being offered and those that were, are now diminished in value as the settlement funding is reduced. Furthermore, and more significantly, the Government is now expecting councils to actually raise Council Tax and charge residents a specific precept locally to directly support Adult Social Care. They have therefore shifted directly away from a directive to freeze Council Tax to one of increasing it and hypothecating the funding raised. This may well be the thin end of the wedge for the future. In total a 4.98% increase in Council Tax is proposed for this year's budget which includes the 3% precept for Adult Social Care.

Originally the Government's intention was to allow councils to apply a 2% social care precept each year in the period to 2019/20, which amounts to an additional 6% over the three-year period 2017/18 to 2019/20. This has now been changed with councils permitted to increase

council tax by 3% in both 2017/18 and 2018/19. However, any council taking this approach is still restricted to a maximum 6% over the three-year period which would mean that in 2019/20 they would not be able to apply any social care precept. Bournemouth will be adopting this policy given the growing pressure on Adult Social Care budgets.

As far as the longer term is concerned, I will reiterate our position in that Bournemouth is not in the same position as many other councils due to the sound Financial Strategy we have been following over the past ten years.

In 2007 the Council embarked on and will continue to embed, a programme of efficiencies founded on: -

- Achieving financial and budget stability through prudent and rigorous financial management and control.
- Reducing waste and seeking further efficiencies in all services.
- Driving out sustainable savings and efficiencies by thoroughly reviewing the costs and effectiveness of all services.

All these actions are reflected in the 2017/18 Budget. Resulting from the hard work of Portfolio Holders and Officers throughout the course of the past year we have closed the gap yet again. The work has been detailed, in depth, and at times very demanding, yet we have maintained focus and have once more delivered a balanced Budget. We have again used reserves as a key financial tool in 2016/17 to help smooth the peaks and troughs of a challenging financial situation, particularly in demand led statutory services. Given that the Government's funding cuts are so deep; this is a significant barometer of the health of our base Budget. Whilst mentioning the 2016/17 Budget, I should also emphasise the point that our ambition remains to end the year in balance or better. We have achieved this every year since 2007, and we continue to make steady month on month progress towards achieving the same outcome in 2016/17.

Despite the Council achieving cumulative savings of £360 million since 2007, the next few years remain extremely challenging. However, I am confident that Councillors and Officers have what it takes to deliver the £13 million of savings required to balance the 2017/18 Budget. This means that by 2020 we will have achieved cumulative savings since 2007, far in excess of our original target of £326million.

In doing so, we have recognised that it remains right to continually risk assess the level of the reserves the Council should hold.

This budget proposes to freeze the level of unearmarked reserves to support the underlying operational risk of an organisation with a turnover of around £389m. Through the continued

use of our earmarked reserves, we will fund the programmes for which they have been set aside which include specific grant funds received in advance of expenditure.

This Budget makes substantial provision, yet again, for the most vulnerable in our community. Over the last four years we have provided an additional £31.1 million for Adults' & Children's Services over and above the base Budget. A further £9 million will be allocated to Adults' and Children's Social Care in 2017/18. This means that approximately 75% of the Council's entire Budget next year will be used to meet the cost of statutory, demand led services for adults and children, predominantly for social care. We continue to meet the rise in the challenges presented by these services. These are essential, but costly services which the Council must provide in the absence of any national funding solutions to the increasing demands of the Adult Social Care challenges we face nationally and, in particular, here in Bournemouth.

There will be no quick or easy remedy and we will have to face challenges of this nature for some time to come, but our track record demonstrates that Bournemouth can continue to meet these. Along with the growing numbers of elderly people and the care they need, this is a pressing and expensive concern for Bournemouth. In addition, although the number of Looked After Children has declined, the nature and complexity of many of the current cases is significant, resulting in the need to commission high cost care packages.

Whilst we continue to bear down on spending, we must not forget the additional investment made by the Council over the past seven years in addition to the base budget to support important priorities. During this time, we have spent £8.7 million within the Road Rescue Fund, the Community Action Fund and the Recession Fund.

- Road Rescue Fund  
The Smarter Streets campaign and Road Rescue Fund has continued to bring Bournemouth's roads up to an improved standard through the allocation of almost £3.95 million of new funding by the Council over the past seven years. This has enabled the Council to target a variety of works, from repairing potholes, refreshing road markings and re-painting lamp columns, to localised resurfacing and re-construction works. The latest Bournemouth residents' survey made clear that these works are valued by local people and I am therefore proposing that a further £250k is allocated to allow the programme to be continued, in addition to the regular works funded through the base budget and national grants.

In addition, it is important that the Council continues to allocate new funding to emerging priorities and this Budget therefore includes further initiatives to address these: -

- Planning Enforcement  
There is little doubt that one of the services provided by the Council which is most valued

by Members and residents is Planning Enforcement. We have been determined to protect the service so that it remains effective and fit for purpose and I am therefore proposing to again include provision in the Base Budget of £33K to ensure that there is sufficient resource to provide the service and to look at ways of making it more effective. The Head of Service and the Portfolio Holder agree that this can be achieved and that the additional resource will prove sufficient to provide a level of Planning Enforcement that protects the interests of local residents and businesses.

- **Town Centre Enforcement**

In common with many other places throughout the country Bournemouth has suffered a number of problems in the town centre and elsewhere involving anti-social behaviour, vagrancy, rough sleeping, begging and related issues. Building on the success of the £200k set aside for 2016/17, I am proposing to make the same amount available for 2017/18. The funding continues to be planned in a way which will deal directly with the town centre issues, whilst being aware of the potential pitfalls of displacement of the problems to other areas. The approach recognises the Council's obligations to those with a Bournemouth connection who are willing to be helped into a more stable lifestyle, but will also involve reconnection for those from elsewhere in the UK, and a much tougher stance towards those who resist attempts to remove them from the streets.

- **Town Centre Major Projects**

As the Town Centre Vision progresses, further development opportunities present themselves. The second phase was always intended to be the Lansdowne area, along both Christchurch Road and Holdenhurst Road and through to the Train Station. The Council has a significant role to play in attracting and supporting investment and development in addition to that led by the Dorset Local Enterprise Partnership. This Budget recognises the importance of the ongoing work that has been underway for some time and the potential to bolster the local economy and drive forward growth, not least through developing a strategic approach and involving Growth Funding through the Dorset Local Enterprise Partnership bidding process.

- **The Local Improvement Fund**

It is clear that the Local Improvement Fund is valued by Members and residents and provides much needed resources to enable the smaller things to be done which would otherwise not be available through Service Budgets. The allocation of much of this funding takes place through consultation with community groups and reflects the priorities of local people throughout Bournemouth. I am therefore proposing to extend the scheme by a further year and funding of £81k will be available to be spent from July 2017 through to February 2018, a similar level to the current year.

- **The Local Welfare Assistance Fund**  
This was established to provide support for the most vulnerable members of the community when confronted by an urgent need resulting in a period of financial difficulty. We continue to work with the Citizens' Advice Bureau and other agencies to ensure that the necessary support is available when it is most needed by those Bournemouth residents requiring financial and debt management advice.
- **Seafront Strategy**  
The Seafront Strategy covers the entire seven miles of Bournemouth's unique seafront. It sets out our ambition to deliver economic growth which will sustain and power the local tourism economy for future generations. We have made a bold start with the Phase 1 works completed at Pier Approach creating a world-class quality gateway to the seafront. Over the next 15 years the Seafront Strategy will be used to guide investment decisions on the seafront and attract businesses to invest in tourism and create new and sustainable jobs. The Seafront Strategy is central to helping the town achieve its ambition to be Britain's premier resort, competing with the best in Europe.
- **Festivals**  
The Air Festival is globally recognised as the UK's and Europe's most popular free Festival. The unique offer of Night Air sets the Festival apart. It is recognised by all three Armed Forces to be the number one event in which to be involved, both in terms of public engagement and for recruitment. My special thanks go to the Bournemouth Events Team and to all those outside the Council, especially the Patrons, for playing such a significant role in making the Festival what it is today in this its ninth year.

The Arts by the Sea Festival is a nationally recognised Festival and has been given National Portfolio Organisation Status by the Arts Council England. It engages national, regional and local artists and performers, reaching out to an increasingly wide audience. The MTFP sets aside the local resources needed to support a heritage lottery fund bid to enable the festival to continue to 2020.

Turning to other Council activities, the Housing Revenue Account (HRA), has enabled Bournemouth's Council Housing to continue to perform very well, with exceptionally high levels of resident satisfaction and good levels of rent collection.

Changes in legislation have allowed the Council to more effectively manage the housing stock through the use of introductory and fixed term tenancies and therefore better address housing needs across Bournemouth.

Government policy is bringing about some significant changes for affordable housing, as set out in recent policy announcements including the Welfare Reform & Work Bill, the Housing & Planning Bill and the Comprehensive Spending Review. However, the most significant

proposal was to change completely the basis of the 50 year funding model on which the buy out of Bournemouth's £42.5 m housing stock was predicated in 2012. Rather than following the rent convergence model previously endorsed by the Government, the policy is now to reduce social and affordable rents by 1% in each of the next four years. Currently the exception will be supported housing rents which will follow the rent convergence criteria for 2017/18.

Although this was welcomed by many Council tenants, it means that the new build and maintenance programme had to be scaled back from our original plans. An additional £2m reserve has been set up, primarily funded by a reduction in the HRA maintenance programme, as a prudent response of this new policy which will be kept under review.

The Bournemouth Development Company with its pipeline of projects offers further opportunity for the Council to benefit from controlling the development of its own sites. The Madeira Road schemes included accommodation for 378 students at the Arts University Bournemouth and a new multi-storey car park. The Citrus Building at Leyton Mount exceeded its objectives and as a priority provided new homes for first time buyers and owner occupiers in the heart of Bournemouth. Berry Court is now underway and the Winter Gardens scheme is being actively worked up. Through the Bournemouth Development Company, the Town Centre Vision is now delivering the outputs for which it was set up and enabling Bournemouth to be right at the top of the national league for inward investment outside London. Together with the private sector there is significant development being undertaken currently with much more pipeline investment on the way over the next two to three years.

Of course it's not only about what is happening in the town centre, but across the rest of Bournemouth as well, where we have seen substantial investment in a variety of developments from both the Council and the private sector.

In Kinson these have included Pelhams Park Leisure Centre and the Kinson Hub, as well as the new Tesco store and the major new housing scheme at Duck Lane. In Boscombe there has also been continuous investment in a number of housing schemes, as well as developing the shared space in the Precinct, improving the Crescent and providing new facilities in the former Argos building. In addition, at Hengistbury Head the superb new Visitor Centre has been highly successful in involving the community through both its local visitors and volunteers.

To summarise this Budget, our Financial Strategy will:

- Continue to safeguard priority services.
- Continue to secure the early delivery of the Council's strategic housing ambitions, both in terms of building Council housing through investment from the Housing Revenue Account or through market housing in the private sector.

- Have facilitated growth and investment in Bournemouth to support economic development and regeneration, and to support the private sector in creating sustainable employment.
- Have driven forward the Council's commitment to improving the quality of life for residents in the most deprived areas of Bournemouth, especially in Boscombe and West Howe over a shorter time-scale than previously planned.
- Continue with the delivery of yet more organisational change within the Council, driving out further savings and efficiencies wherever possible.
- Will continue to see tangible financial returns and added value from the Council's existing partnerships with BH Live and the Bournemouth Development Company.
- Continue to develop the commercial platform to diversify the Council's revenue base and secure alternative sources of income to better support the Budget position in future years.

It was crucial for us to lay the foundations early to enable our ambitious plans for economic growth and investment to deliver our housing and regeneration priorities for Bournemouth. We can see the positive impact this is having in driving recovery and shaping community regeneration by looking at the development coming forward in Bournemouth. The Council has been a major catalyst for this and we shall be spending even more time and resources in attracting investors to Bournemouth in the future. This confidence has been further reflected in the funding we have received from the Government, where we continue to progress with significant investment in Public Transport, Highways, and Tourism.

The future relationship and respective responsibilities between Health and Local Authorities will be an interesting dynamic that the Government will need to address. The Better Care Fund has not really created the financial benefits originally envisaged through more passporting of existing resources. Expectations of this changing through the national mechanism are considered to be low and so any gains will rely on us working together locally.

We know that public finances will remain under extreme pressure for the foreseeable future and that the Council expects further cuts to be made in Government funding on an unprecedented scale. Yet more unfunded responsibilities from Government may indeed follow however.

Our current forecast for the next two years anticipates a resourcing gap of £10.5million by the end of 2019/20. However, we need not be daunted by the challenge this represents. The Council has a proven track record of managing through adversity and balancing its financial position year on year. Given the uncertainties regarding the current and future Local Government funding landscape, the Budget I am presenting to the Council today is financially sound, continues to deliver front line services and supports those residents most in need in our local community - the elderly, the vulnerable and children here in Bournemouth.

Planning for the future, Local Government Reorganisation in Dorset means replacing

Dorset's nine unitary, county, district and borough councils with two brand new, sustainable unitary authorities; two new councils structured around the natural and established sense of identity within the urban and rural geographies of the county, with balanced population projections and the ability to reflect the policy aspirations of both communities.

There is a compelling case for change and our innovative proposals will:

- Deliver a flagship Government policy, as set out in the Cities & Local Government Devolution Act 2016
- Meet and exceed the Government's five criteria for approving change
- Have strong cross-party political support across all of Dorset, and at all political levels requested by the Secretary of State
- Have the overwhelming and emphatic backing of the residents of Dorset – 73% back change
- Save at least £108m in the first six years, including at least £1.1m p.a. reduction in Members' allowances
- Recover the cost of implementation in around one year
- Attract strong backing from the Dorset LEP and wider business community as a driver of economic growth
- Bring sustainability to public services for all in the county, including health and social care
- Support traditional and historical identities, helping them to grow and transform with relevance for 21<sup>st</sup> century communities.

Whatever the outcome of the Future Dorset proposal, it is recognised that we must be at the forefront of leading this change, thus ensuring the opportunities for economic growth, devolved powers and financial security are achieved for our residents. This will become an increasingly key component in our strategic thinking for the future. Our financial planning thus far and the Budget before you today places us as a key player in determining the future of Local Government across the South of England.

I commend this Budget to the Council.

Cllr John Beesley

Leader of Bournemouth Council  
21 February 2017