

PART 1 - PUBLIC

Decision Maker: Executive

Date: 19th October 2011

Decision Type: Non-Urgent Executive Key

Title: BUDGET MONITORING 2011/12

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Chief Officer: Director of Resources

Ward: Borough Wide

1. Reason for report

1.1 This report provides the third budget monitoring position for 2011/12 based on expenditure and activity levels up to August 2011. The report also highlights any significant variations which will impact on future years as well as any early warnings that could impact on the final year end position.

2. **RECOMMENDATION(S)**

2.1 Executive are requested to:

(a) consider the latest financial position;

(b) note that a projected net underspend of £2,427k is forecast based on information as at August 2011. This consists of a £401k underspend on services, additional grant income of £319k, £700k improved forecast for recovery of Heritable Bank investment and a projected underspend on the Central Contingency provision of £1,007k;

(c) note a projected reduction to the General Fund balance of £2,024k after allowing for the underspends detailed in (b) above, offset by a contribution to the Severance Fund of £3,500k and carry forwards funded from underspends in 2010/11 as detailed in para. 3.9.

(d) consider the comments from the Director of Children and Young People and the Adult and Community Services Management Team detailed in sections 3.3 and 3.4;

(e) identify any issues that should be referred to individual Portfolio Holders for further action.

(f) note the early warnings detailed in para. 3.12 and in particular uncertainty relating to the top slicing of funding for Academies.

Corporate Policy

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

1. Cost of proposal: N/A
 2. Ongoing costs: Recurring cost.
 3. Budget head/performance centre: Council wide
 4. Total current budget for this head: £132m (excluding GLA precept)
 5. Source of funding: See Appendix 1 for overall funding of Council's budget
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Staff

1. Number of staff (current and additional): 6,845 (per 2011/12 Budget), which includes 4,425 for delegated budgets to schools.
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: Statutory requirement. The statutory duties relating to financial reporting are covered within the Local Government Act 1972; the Local Government Finance Act 1998; the Accounts and Audit Regulations 1996; the Local Government Act 2000; and the Local Government Act 2002.
 2. Call-in: Call-in is applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The 2011/12 budget reflects the financial impact of the Council's strategies, service plans etc. which impact on all of the Council's customers (including council tax payers) and users of the services.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.
2. Summary of Ward Councillors comments: Council wide

3. COMMENTARY

3.1 The table below provides a breakdown of the 2011/12 budget and projected spend as at end of August 2011:-

| | 2011/12 Original Budget £'000 | 2011/12 Latest Budget £'000 | 2011/12 Projected Outturn £'000 | 2011/12 Variation £'000 |
|-----------------------------------|--|--------------------------------------|--|-------------------------------|
| Adult & Community Services | 85,776 | 86,204 | 85,882 | -322 |
| Children & Young People | 31,531 | 31,531 | 31,880 | 349 |
| Environmental Services | 36,199 | 36,019 | 35,855 | -164 |
| Public Protection | 3,446 | 3,446 | 3,446 | 0 |
| Renewal & Recreation | 9,953 | 10,081 | 10,081 | 0 |
| Resources | 34,120 | 35,045 | 34,781 | -264 |
| Total Controllable Budgets | 201,025 | 202,326 | 201,925 | -401 |
| Capital Charges and Insurance | 17,479 | 47,929 | 47,929 | 0 |
| Non General Fund Recharges | -884 | -884 | -884 | 0 |
| Total Portfolio Budgets | 217,620 | 249,371 | 248,970 | -401 |
| Contingency Provision | 3,617 | 3,909 | 2,902 | -1,007 |
| Interest on Balances | -2,691 | -2,691 | -3,391 | -700 |
| Other Central Items | -15,006 | -45,456 | -45,456 | 0 |
| General Government Grants | -71,374 | -72,016 | -72,335 | -319 |
| Total Central Items | -85,454 | -116,254 | -118,280 | -2,026 |
| Total Variation | 132,166 | 133,117 | 130,690 | -2,427 |

3.2.1 The Executive, on the 14th February 2011, agreed that a sum of £3,500k be set aside from balances in 2011/12 to meet potential severance costs which will enable the achievement of significant long term savings detailed in the 2011/12 Council Tax report and agreed that officers explore longer term options for funding severance costs within the Council's revenue budget. The underspend detailed in the table above effectively reduces the call on balances to £1,073k. After allowing for carry forwards of £951k, funded from underspends in 2010/11, the net impact on General Fund balances is a reduction of £2,024k as detailed in para. 3.9.

3.2.2 The above table highlights that the main cost pressure in year relates to the Children and Young People Portfolio. A detailed breakdown of the Latest Approved Budgets and Projected Outturn across each Portfolio, together with an analysis of variations, is shown in Appendix 2.

3.3 Chief Officer Comments - Director of Children and Young People

3.3.1 The £349k overspend position in the non schools budget arises largely from:

- (a) the continuing increase in numbers and cost pressures from placements with children with disabilities;
- (b) the continuing increase in numbers and cost pressures from placements of looked after children;
- (c) SEN Transport costs.

The main volatile element of spend is children's placements and there are limited controls given the statutory obligations on the Council and often a limited range of placement provision available, particularly in the case of residential provision. However rigorous management action is being taken to contain these additional costs within the overall funding envelope by identifying compensatory savings, where possible, and maintaining a strict regime across all of the departments spend. However given the associated costs for each individual placement the pressure on the CYP budget is immense.

It is expected that the rigorous management of the in-year budget situation will continue for the remainder of the year and that the residual in year overspending will be reduced to zero. A moratorium on spending has been introduced together with exercises to continue to scrutinise all placements in terms of costs and commitment. Actions have been reported in detail at a previous Executive report in September

However it should be noted that the full year effect in 2012/13 of children with disabilities placements is estimated at £1,064k and social care placements full year effect in 2012/13 is £76k. Whilst the overspending position in 2011/12 will be managed, this is only a short term arrangement. CYP will have to manage the full year effect in the long term as there is no additional growth, and will have to identify the equivalent of this in the current budget in 2011/12 in order to square off the position in the long term.

3.4 Comments – from the Adult & Community Services Management Team

3.4.1 The planned savings for re-ablement are dependent on the completion of the roll out of the service. There are plans to ensure that a greater percentage of new clients receive the service in order to reduce the increasing demand for domiciliary care. Although there has been an increase in the cost of Residential and nursing care costs this month, there are plans in place to reduce spend in this area over the coming year.

3.4.2 Although forecasts based on the latest activity available show a full year overspend of £558k on domiciliary care for older people, it is anticipated that the budget will be bought into balance by successful management action from increasing reablement and the rigorous application of eligibility criteria.

3.4.3 Pressure on temporary accommodation costs continue and options for temporary use of empty council owned properties and other initiatives (as outlined in the report to the ACS PDS on 27th September), are being explored to reduce costs going forward. General budgets within the Housing division are being scrutinised in order to find savings to offset the increasing costs.

3.5 Central Contingency Sum

3.5.1 Details of the variations in the 2011/12 Central Contingency sum are included in Appendix 3.

3.5.2 The original Contingency provision included £600k for further estimated increases in fuel costs. Latest projections indicate that £250k of the provision will not be required.

3.5.3 The original contingency provision included a sum of £386k relating to the Carbon Reduction Commitment Tax. This included a contribution of £200k relating to the schools element of these costs as there was uncertainty as to whether the funding could be provided through the schools budget. It has now been identified that funding is available within the schools budget to meet these costs and £200k of the original provision is therefore not required.

- 3.5.4 A sum of £297k was set aside to reflect the development of the Westmoreland Road car park site and the possibility that the site would close as part of the overall development during 2011/12. Based on latest information any closure is unlikely to happen until 2012/13 and therefore the provision for loss of income in the Central Contingency is no longer required.
- 3.5.5 The 2011/12 income budget for defect notices was reduced by £385k to reflect improved performance by Thames Water. The latest projections indicate that the actual reduction in income is lower than anticipated and £260k has therefore been transferred back to the Central Contingency.
- 3.5.6 There are reports elsewhere on this agenda that request allocations from the Central Contingency Sum. Any changes have been excluded from this report at this stage.
- 3.5.7 The 2011/12 Central Contingency contains various provisions which reflect uncertainty around potential costs, grants and service pressures. If these provisions are not required, there will be a resulting underspend on the final Contingency position at year end.
- 3.5.8 A sum of £2,176k was included in the original contingency provision relating to NHS funding to support social care. £250k of this provision was allocated to the Adult and Community Services Portfolio as approved by the Executive on 7th September 2011. A report elsewhere on the agenda details a request for further drawdown of this funding in connection with investment plans for services for people with physical disabilities and younger adults with learning disabilities.

3.6 Interest on Balances

- 3.6.1 Members will be aware from regular updates to the Resources Portfolio Holder and the Executive that the Council had £5m invested with the Heritable Bank, a UK subsidiary of the Icelandic bank, Landsbanki, when it was placed in administration in early-October 2008 at which time our investment was, and still is, frozen. The latest estimate given by the administrators, Ernst & Young, late in September 2011 indicates a likely return of between 86% and 90% of our claim. This recent upward revision in the administrator's estimate means that, in 2011/12, we expect to receive a further £700k over and above that previously anticipated. Further information relating to investment income and the impact of the current economic climate is reported to the Executive and Resources PDS committee as part of the Treasury Management Performance Information.

3.7 General Government Grants

- 3.7.1 Since the last report to the Executive there have been no further changes that impact on the projections relating to non-ringfenced grant income. An additional £319k is projected primarily relating to the New Homes Bonus grant and Local Services Support grant for which the 2011/12 allocations were announced after the budget was set.

3.8 Carry forwards from 2010/11 to 2011/12

- 3.8.1 A net total of £951k has been carried forward into 2011/12 funded from underspends in 2010/11. Details were reported to the Executive on 6th April 2011, 22nd June 2011 and 20th July 2011.

3.9 General Fund Balances

3.9.1 The level of general reserves is currently projected to decrease by £2,024k to £27,757k at 31st March 2012. Further details are provided below:

| | 2011/12 Projected Outturn £'000 |
|---|--|
| General Fund Balance as approved by Executive on 7 th September 2011. (para 3.9.2) | (29,781) |
| Total Variation (para. 3.1) | (2,427) |
| Adjustments to Balances: | |
| Severance Fund | 3,500 |
| Carry Forwards from 2010/11 | 951 |
| | |
| Projected General Fund Balance at 31 st March 2012 | (27,757) |

3.9.2 On 7th September 2011 the Executive agreed to recommend that Council approve the creation of a Regeneration/Investment Fund (£10m) and an Invest to Save Fund (£14m). This is subject to approval by Council on 24th October 2011. The figures contained in the above table assume that this will be agreed.

3.10 Impact on Future Years

3.10.1 The report identifies expenditure pressures which could have an impact on future years. The main areas to be considered at this stage are summarised below:

| | 2011/12 Budget £'000 | 2012/13 Impact £'000 |
|--|----------------------------|----------------------------|
| Adult & Community Services Portfolio: | | |
| Residential & Domiciliary Care | | |
| - Older People | 21,300 | 558 |
| - Learning Disabilities | 24,844 | 137 |
| - Mental Health | 2,889 | -215 |
| Commissioning & Partnerships | 5,049 | 103 |
| Housing Needs – Temporary Accommodation | 229 | 305 |
| | | 888 |
| Children & Young People Portfolio: | | |
| Children's Placement Projections | 9,535 | 76 |
| SEN Children's Disability Team Placements | 1,559 | 1,064 |
| | | 1,140 |
| Environment Portfolio: | | |
| Parking Income | -5,366 | 50 |
| Waste Services – Reduction in Tonnage | 16,892 | -50 |
| | | 0 |

3.10.2 The 2012/13 financial forecast includes £676k for Adults with Learning Disabilities and £500k for Children's Placements.

3.10.3 Further details including action to be taken to contain these pressures are included in appendix 4.

3.11 The Schools' Budget

3.11.1 There is currently no variation projected on the Schools' Budget. Overspends and underspends must be carried forward to the following year's Schools' Budget and have no impact on the Council's General Fund. Details of the 2011/12 monitoring for the Schools' Budget will be reported to the Children and Young Peoples Portfolio Holder.

3.12 Early Warnings

3.12.1 A recent consultation paper has been issued considering changes to the arrangements for the top-slicing of funding for Academies. The scale of schools transferring to Academies could result in further 'top slicing' in formula grant funding to the Council of between £2m to £5m from 2013/14, there could also be implications for 2011/12 and 2012/13. There is a provision held in the contingency of £565k for uncertainty relating to grant income which could be used to partly offset any reduction in 2011/12.

3.12.2 On 12th July 2011, the Executive and Resources PDS Committee considered a report to the Portfolio Holder on the position of the Insurance Fund as at 31st March 2011 and statistics relating to insurance claims for the last two years. In 2010/11, the total Fund value reduced from £3.5m to £3.2m, mainly as a result of a one-off review of the potential value of all unsettled claims. The Committee noted that the Fund position would be reviewed at the end of 2011/12, with the possibility that a further top-up might be required.

3.12.3 Details of some other early warnings are included for individual Portfolios within appendix 2.

4. POLICY IMPLICATIONS

4.1 "Building a Better Bromley" refers to the Council's intention to remain amongst the lowest Council Tax levels in Outer London and the importance of greater focus on priorities.

4.2 The "2011/12 Council Tax" report highlighted the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2011/12 to minimise the risk of compounding financial pressures in future years.

5. FINANCIAL IMPLICATIONS

5.1.1 These are contained within the body of the report with additional information provided in the appendices.

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|---|--|
| Non-Applicable Sections: | Legal, Personnel |
| Background Documents: (Access via Contact Officer) | <p>Update on Council's Financial Strategy 2012/13 to 2015/16 – Executive 7th September 2011.</p> <p>Budget Monitoring 2011/12 – Executive 20th July 2011 and 7th September 2011.</p> <p>Provisional Final Accounts 2010/11 – Executive 22nd June 2011.</p> <p>2011/12 Council Tax report – Executive 14th February 2011.</p> <p>The Local Government Finance Settlement 2011/12 to 2012/13 and Related Budget Issues – Executive 12th January 2011.</p> <p>2011/12 Budget Monitoring file - Technical and Control Finance Section.</p> |