

PART 1 - PUBLIC

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**Decision Maker:** Executive

**Date:** 14<sup>th</sup> December 2011

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

**Title:** BUDGET MONITORING 2011/12

**Contact Officer:** Tracey Pearson, Chief Accountant,  
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**Chief Officer:** Director of Resources

**Ward:** Borough Wide

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1. Reason for report

- 1.1 This report provides the fourth budget monitoring position for 2011/12 based on expenditure and activity levels up to October 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.
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2. **RECOMMENDATION(S)**

2.1 Executive are requested to:

- (a) consider the latest financial position;
- (b) note that a projected net underspend of £3,470k is forecast based on information as at October 2011. This consists of a £967k underspend on services, additional grant income of £319k, £700k improved forecast for recovery of Heritable Bank investment, £300k increased interest earnings and a projected underspend on the Central Contingency provision of £1,184k;
- (c) note a projected reduction to the General Fund balance of £981k after allowing for the underspends detailed in (b) above, offset by a contribution to the Severance Fund of £3,500k and carry forwards of £951k funded from underspends in 2010/11;
- (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) agree to release £100k for fuel costs from the Central Contingency as detailed in section 3.5.2 of the report;

- (f) identify any issues that should be referred to individual Portfolio Holders for further action;
- (g) note the early warnings detailed in para. 3.12 and in particular uncertainty relating to the top slicing of funding for Academies.
- (h) Members are asked to note that there are reports elsewhere on the agenda requesting approval to utilise in year underspends and grant funding which have not been reflected within this report pending Executive approval. These are as detailed in section 3.2;

### 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 October 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	86,189	85,815	-374
Children & Young People	31,531	31,579	31,799	220
Environmental Services	36,199	35,924	35,769	-155
Public Protection	3,446	3,446	3,446	0
Renewal & Recreation	9,953	10,081	9,901	-180
Resources	34,120	35,027	34,549	-478
<b>Total Controllable Budgets</b>	<b>201,025</b>	<b>202,246</b>	<b>201,279</b>	<b>-967</b>
Capital Charges and Insurance	17,479	47,929	47,929	0
Non General Fund Recharges	-884	-884	-884	0
<b>Total Portfolio Budgets</b>	<b>217,620</b>	<b>249,291</b>	<b>248,324</b>	<b>-967</b>
Contingency Provision	3,617	3,989	2,805	-1,184
Interest on Balances	-2,691	-2,691	-3,691	-1,000
Other Central Items	-15,006	-45,456	-45,456	0
General Government Grants	-71,374	-72,016	-72,335	-319
<b>Total Central Items</b>	<b>-85,454</b>	<b>-116,174</b>	<b>-118,677</b>	<b>-2,503</b>
<b>Total Variation (see also 3.2.1)</b>	<b>132,166</b>	<b>133,117</b>	<b>129,647</b>	<b>-3,470</b>

3.2.1 The Executive, on the 14<sup>th</sup> 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 £30k. After allowing for carry forwards of £951k, funded from underspends in 2010/11, the net impact on General Fund balances is a reduction of £981k 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.

3.2.3 A report will be submitted to a future meeting of the Executive to request that Members consider setting up an earmarked reserve of £150k funded by the underspend in Renewal and Recreation to be used as a contribution towards the costs of a special project in 2012/13.

3.2.4 There is a report elsewhere on the agenda requesting approval to utilise £140k of the projected underspend within the Environment Portfolio to part fund the introduction of a trial revised green garden waste collection service. This has been excluded from the above table pending approval.

3.2.5 There is a further report elsewhere on the agenda requesting the release of government funding to support the Step Up to Social Work Programme. This is fully funded by a grant from the Children's Workforce Development Council. This has not been reflected within this report pending approval by the Executive.

### **3.3 Chief Officer Comments - Director of Children and Young People**

- 3.3.1 The £220k overspend on the CYP budget arises largely from the continuing increase in numbers and costs of placements for children with disabilities and for looked after children. Controls are limited given the statutory obligations and limited options, especially for residential provision. Exercises continue to scrutinise costs and commitments of all placements. Due to the cost for each individual placement the pressure on the CYP budget is immense.
- 3.3.2 The Director CYP and Head of Finance CYP introduced a framework of measures earlier in the financial year to contain the cost of spend within the Department to offset the service pressures. This included: a moratorium on spending, a 'freeze' on all vacant posts other than for essential posts, with costs of cover for vacancies minimised. Rigorous management action is achieving compensatory savings. These measures will continue for the remainder of the year with the aim of bringing the in year overspending to zero. Actions were reported in detail in previous budget monitoring reports.
- 3.3.3 Whilst the Director CYP is aiming to contain the projected overspend in 2011/12, the solution is only short term. The full year cost in 2012/13 of children with disabilities placements is estimated at £645k and for social care placements £263k. Given the projected service volumes and associated costs arising from the escalation in numbers of children requiring placements, these budget pressures will continue in 2012/13. The department are seeking ways to manage the full year effect in the medium term.

### **3.4 Comments – from the Adult & Community Services Management Team**

- 3.4.1 Although forecasts based on the latest activity available show a full year overspend of £204k on placements and domiciliary care for older people and people with physical disabilities, it is anticipated that this budget will be brought into balance by successful management action from maximising income, continuing to review care packages and delivering reablement savings.
- 3.4.2 Pressure on temporary accommodation continues and options for temporary use of empty council owned properties and other initiatives 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. The Director of Environmental Services requests the release of £100k to cover electricity costs relating to street lighting.
- 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 A late notification of £219k grant funding to support improvements in children and families social work was transferred to the Contingency provision. The Executive, on 19<sup>th</sup> October 2011, agreed to the release of £190k to support improvement in front line child protection and that the CYP Portfolio Holder be delegated authority to utilise the balance of £29k as appropriate. The Portfolio Holder agreed the utilisation of the £29k on 7<sup>th</sup> November and this has been allocated from the Central Contingency.
- 3.5.7 The original Contingency provision included £93k for unallocated inflation and £84k for other items. Latest projections indicate that these provisions are no longer required resulting in a £177k underspend on the Central Contingency.
- 3.5.8 The 2011/12 Central Contingency contains various other 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.

### **3.6 Interest on Balances**

- 3.6.1 At this stage, an overall surplus of £300k is forecast on interest earnings arising from the day-to-day investment of cash and balances. This is mainly due to an improvement of around £20m in the estimated average balance of investments for the whole year. The 2011/12 budget assumed an average balance of investments of £165m, but the continuing positive cashflow position of the Council has resulted in this increasing to £184.4m at the latest forecast. It is estimated that this will generate an additional £300k in 2011/12.
- 3.6.2 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. The latest estimate given by the administrators, Ernst & Young, 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.

### 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 6<sup>th</sup> April 2011, 22<sup>nd</sup> June 2011 and 20<sup>th</sup> July 2011.

### 3.9 General Fund Balances

3.9.1 The level of general reserves is currently projected to decrease by £981k to £28,800k at 31<sup>st</sup> March 2012. Further details are provided below:

	2011/12 Projected Outturn £'000
General Fund Balance as approved by Executive on 7 <sup>th</sup> September 2011. (para 3.9.2)	<b>(29,781)</b>
Total Variation (para. 3.1)	(3,470)
Adjustments to Balances:	
Severance Fund	3,500
Carry Forwards from 2010/11	951
Projected General Fund Balance at 31 <sup>st</sup> March 2012	(28,800)

3.9.2 On 7<sup>th</sup> 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 was approved at Council on 24<sup>th</sup> October 2011 and is therefore reflected in the above table.

### 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 & People with Physical Disabilities	21,024	204
- Learning Disabilities	24,844	363
- Mental Health	2,889	-167
Housing Needs – Temporary Accommodation	229	500
		<b>900</b>
Children & Young People Portfolio:		
Children's Placement Projections	9,535	263
SEN Children's Disability Team Placements	1,559	645
		<b>908</b>
Environment Portfolio:		
Parking Income	-5,354	50
Waste Services – Reduction in Tonnage	16,697	-50
		<b>0</b>

- 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 People's 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 12<sup>th</sup> 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 The Glades / Queens Gardens Restaurant Project, is estimated to cost £5.7 million. The planning application was due 4<sup>th</sup> November 2011. Construction is expected to commence August 2012 with opening in Spring / Summer 2013. Bromley would have to pay 15% of the project costs, say £0.9m. Funding options such as setting up an Earmarked Fund are being explored.
- 3.12.4 There is a potential liability arising from the impact of ongoing litigation, further details are included in appendix 5, which is included as a part 2 item on this agenda.
- 3.12.5 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.

<b>Non-Applicable Sections:</b>	Legal, Personnel
Background Documents: (Access via Contact Officer)	Update on Council's Financial Strategy 2012/13 to 2015/16 – Executive 7 <sup>th</sup> September 2011. Budget Monitoring 2011/12 – Executive 20 <sup>th</sup> July 2011, 7 <sup>th</sup> September 2011 and 19 <sup>th</sup> October. Provisional Final Accounts 2010/11 – Executive 22 <sup>nd</sup> June 2011. 2011/12 Council Tax report – Executive 14 <sup>th</sup> February 2011. The Local Government Finance Settlement 2011/12 to 2012/13 and Related Budget Issues – Executive 12 <sup>th</sup> January 2011. 2011/12 Budget Monitoring file - Technical and Control Finance Section.