

Decision Maker: EXECUTIVE

Date: 28th November 2012

Decision Type: Non-Urgent Executive Non-Key

Title: BUDGET MONITORING 2012/13

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Chief Officer: Director of Resources

Ward: Borough Wide

1. Reason for report

This report provides the third budget monitoring position for 2012/13 based on expenditure and activity levels up to September 2012. 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 £3,131k is forecast based on information as at September 2012. This consists of a £3,113k net underspend on services and additional council tax freeze grant income of £18k (see section 3.1);
- (c) note a projected increase to the General Fund balance of £1,581k made up of £3,131k underspends detailed in (b) above, offset by carry forwards of £1,550k funded from underspends in 2011/12 (see section 3.9);
- (d) note that the report assumes, at this stage, that any underspends on the 2012/13 Central Contingency Sum will be set aside to meet a contribution to the Insurance Fund and an Income Risk Reserve as detailed in section 3.1;
- (e) consider the comments from the Director of Renewal and Recreation, the Director of Resources and the Director of Education and Care Services, as detailed in sections 3.2, 3.3 and 3.4;

- (f) note that a report elsewhere on the agenda requests the drawdown of funds to support Public Health transition as detailed in section 3.5.4;
- (g) note the early warnings detailed in section 3.12;
- (h) identify any issues that should be referred to individual Portfolio Holders for further action.

Corporate Policy

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

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Recurring Cost:
 3. Budget head/performance centre: Council Wide
 4. Total current budget for this head: £133m (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): 3,720 (per 2012/13 Budget), which includes 1,510 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: Applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The 2012/13 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? Not Applicable
2. Summary of Ward Councillors comments: Council Wide

3. COMMENTARY

3.1 The table below provides a breakdown of the 2012/13 budget and projected spend as at end of September 2012:-

Portfolio	2012/13 Original Budget £'000	2012/13 Latest Budget £'000	2012/13 Projected Outturn £'000	2012/13 Variation £'000
Care Services	103,480	103,887	101,952	Cr 1,935
Education	Cr 863	Cr 306	Cr 1,843	Cr 1,537
Environment	31,309	31,652	31,402	Cr 250
Public Protection & Safety	3,273	3,303	3,303	0
Renewal & Recreation	9,074	9,324	9,324	0
Resources	38,999	39,629	40,238	609
Total Controllable Budgets	185,272	187,489	184,376	Cr 3,113
Capital Charges and Insurance	30,161	30,161	30,161	0
Non General Fund Recharges	Cr 811	Cr 811	Cr 811	0
Total Portfolio Budgets	214,622	216,839	213,726	Cr 3,113
Contingency Provision	7,254	6,587	6,587	0
Interest on General Fund Balances	Cr 2,691	Cr 2,691	Cr 2,691	0
Other Central Items	Cr 15,197	Cr 15,197	Cr 15,197	0
General Government Grants	Cr 69,092	Cr 69,092	Cr 69,110	Cr 18
Collection Fund Surplus	Cr 2,000	Cr 2,000	Cr 2,000	0
Total Central Items	Cr 81,726	Cr 82,393	Cr 82,411	Cr 18
Total Variation	132,896	134,446	131,315	Cr 3,131

3.1.2 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.

3.1.3 The reported underspend of £3,113k within portfolios represents 1.66% of the total controllable portfolio budgets.

3.1.4 As part of the budget savings process savings have been identified which, in some cases, have been implemented early. This report identifies savings of £1,579k which represents the early achievement of savings relating to the 2013/14 Budget.

	£000
Education and Care Services	
Supporting People	800
Bromley Youth Support Programme	475
Strategic & Business Support Services	100
Mental Health Services	75
Access	30
	1,480
Chief Executive – Audit salaries	50
Resources Department - Reorganisations	49
Total	1,579

- 3.1.5 The 2012/13 Central Contingency includes provisions to reflect risk and uncertainty relating to volume and cost pressures and possible further in year grant reductions. Given the early action to address cost pressures and early implementation of future year budget savings these provisions may not be fully required in the current year although the position will need to be reviewed for future years.
- 3.1.6 Members of the Executive have previously received reports on changes arising from grant reductions in council tax benefit as well as the impact of the localisation of business rates. The Council currently collects £79.2m in business rates and receives £19.3m in council tax benefit grant. Both changes will be implemented in 2013/14 and there are significant downside risks relating to potential losses in income. Any income loss may not materialise immediately but the significant risk remains. There are also financial opportunities arising from the localisation of business rates which may be realised in the longer term and officers are continuing to explore opportunities.
- 3.1.7 In addition, Members of the Executive and Resources PDS Committee on 18th October 2012 considered the annual report on the Insurance Fund which identified a potential further contribution of £1m in 2012/13 to enable the fund balance to remain at a prudent level.
- 3.1.8 At this stage the report assumes that any underspend in the 2012/13 Central Contingency Sum would need to be set aside towards a contribution towards the insurance fund with the balance being utilised to support an Income Risk reserve. Members will be requested to consider the formal approval of any utilisation of underspends in the 2012/13 Central Contingency once the final outturn is known.

3.2 Comments from the Director of Renewal and Recreation (Resources Portfolio)

- 3.2.1 The £736k overspend within Strategic Property Services arises largely from the shortfall in rental income of £541k. Members will be aware that a challenging target of £1m was set on the financial return for 2012/13 from the Investment Fund of £10m. The Investment Fund was set aside to identify key investment opportunities which will also assist in the regeneration ambitions of the Council. The Portfolio Holder for Renewal and Recreation, along with the Director, are leading on this work and options for funding. Although rigorous management action is being taken to achieve compensatory savings, Members were informed that it is highly unlikely that the target return on investment could be realised in the first few years of the Investment Fund. Additional income from other commercial rents, including Biggin Hill Airport, is helping to reduce the impact.
- 3.2.2 Pressure on the Surplus Property budget continues, relating to the utilities and security at vacant / surplus property held pending disposal or Member decisions on future usage. Other initiatives are being explored to reduce costs going forward.

3.3 Comments from the Director of Resources

- 3.3.1 The projected overspend within Resources Department arises predominantly from a shortfall in car park income for this year. Income is projected at £37k compared to the target of £150k. The review of essential car users generated an increase in numbers who are now exempt from paying for parking. To address the shortfall, work will be considered to introduce charging at other Council car parks. It may also be possible to provide some spaces to staff who have not previously qualified for parking on site at a charge.
- 3.3.2 Legal services' salaries budget is currently overspent by £33k as, in the absence of staff movement, the turnover target has proven unachievable. Additional income targets were built into the budget to reflect partnership working with Bexley which has not materialised and the

property/asset work stream hasn't occurred to the extent anticipated this financial year. Opportunities have recently arisen to explore shared services with Medway and a preliminary agreement has been reached to deliver services on a pilot basis. However it is prudent at this stage to report a shortfall in the income target of £64k.

- 3.3.3 To mitigate the above, all budget holders within the department are examining various strategies to address overspends, including options to accelerate savings, reduce running costs and generate additional income and charges.

3.4 Comments from the Director of Education and Care Services

Care Services Portfolio:

- 3.4.1 There is a forecast underspend of £1,935k in 2012/13 mainly due to retendering of the domiciliary care contracts, the learning disabilities grant funding relating to the campus reprovision programme and Supporting people budgets.
- 3.4.2 The main pressure on the budget in 2012/13 is around Bed & Breakfast numbers which continue to increase each month and potentially could result in unfunded cost pressures in excess of £1m by 2013/14. Officers continue to discuss various initiatives with Private Landlords to help mitigate these costs. Detailed work is being undertaken to model the financial implications if numbers increase, track when some of the initiatives are likely to impact on the budget and explore other options that might be available.

Education Portfolio:

- 3.4.3 There is a forecast underspend of £1,537k in 2012/13. Whilst some pressures on budgets remain, such as on trading accounts, other savings have more than offset these. Pressures that have emerged are being offset and have no longer term impact. Work is continuing to mitigate these pressures as far as possible. Savings have been obtained across the Education Portfolio. These have been achieved by keeping vacancies open, savings in contracts and from the restructure of services. In some instances this has led to an early achievement of 2013/14 savings and the identification of additional 2013/14 savings. For example the restructuring of the EDC has identified additional savings in 2013/14 of £600k. Moreover in the Youth Service an early achievement of a projected 2013/14 saving has meant that the savings will be achieved a year earlier.

3.5 Central Contingency Sum

- 3.5.1 Details of the variations in the 2012/13 Central Contingency are included in Appendix 3.
- 3.5.2 Members of the Executive on 12th September approved the release of £270k of the Tackling Troubled Families Grant from the Central Contingency to the Education Portfolio. Further release of funding in future years will be subject to a further report to Executive.
- 3.5.3 Members of the Executive on 24th October 2012 approved the release of the £165k Pathfinder Grant from the Central Contingency to the Education Portfolio.
- 3.5.4 As detailed in a report elsewhere on the agenda, one off funding of £210k has been allocated by the Department of Health and SEL Cluster PCT to support the transition of Public Health. The report details the utilisation of this funding and requests the Executive to agree the drawdown of funds via the Central Contingency.

3.5.5 The 2012/13 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. At this stage the report assumes that any underspend will be utilised to support an Income Risk reserve or set aside towards a contribution to the Insurance Fund, (see paras. 3.1.5 to 3.1.8).

3.6 General Government Grant Income

3.6.1 Since the last report to the Executive there have been no further changes that impact on the projections relating to non-ringfenced grant income.

3.7 Interest on Balances

3.7.1 A rate of 1.5% was assumed in the 2012/13 budget for interest on new investments and the budget for net interest earnings was set at £2,691k. Interest rates have continued to fall and, furthermore, counterparty credit ratings have continued to be downgraded, which has resulted in further restrictions to investment opportunities. In line with external advice, most investments are currently restricted to 3 months duration at rates below 1% and to overnight deposits in Money Market Funds at rates below 0.7%. However, we are still able to place investments for up to 1 year with the part-nationalised banks, Lloyds TSB and RBS at rates between 2% and 3%. At this stage, it is estimated that these longer-term deposits at higher rates will enable the budget for interest earnings to be achieved.

3.8 Carry forwards from 2011/12 to 2012/13

3.8.1 A net total of £1,550k has been carried forward into 2012/13 funded from underspends in 2011/12. Details were reported to the Executive on 20th June 2012, 25th July 2012 and 12th September 2012.

3.9 General Fund Balance

3.9.1 The level of general reserves is currently projected to increase by £1,581k to £33,190k at 31st March 2013. Further details are provided below:

	2012/13 Projected Outturn £'000
General Fund Balance at 1 st April 2012	(31,609)
Total Variation (para. 3.1)	(3,131)
Adjustments to Balances:	
Carry Forwards (funded from underspends in 2011/12)	1,550
Projected General Fund Balance at 31st March 2013	(33,190)

3.10 The Schools' Budget

3.10.1 There is currently a £409k underspend projected on the Schools' Budget. This will be carried forward into the following financial year resulting in a neutral in year position. 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 2012/13 monitoring for the Schools' Budget will be reported to the Education Portfolio Holder.

3.11 Impact on Future Years

3.11.1 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:

	2012/13 Budget	2013/14 Impact
	£'000	£'000
Care Services Portfolio:		
Residential and Domiciliary Care		
- Older People and People with Physical Disabilities	23,619	(950)
- Learning Disabilities *	25,697	(1,100)
- Mental Health	2,989	(44)
Operational Housing:		
- Temporary Accommodation (net of H B)	254	1,047
		(1,047)
Education Portfolio		
- Education Commissioning & Business Services	811	(525)
- School Improvement	523	(325)
		(850)
Environment Portfolio:		
- Shortfall of Parking Income	(6,722)	400
- Waste Services	16,453	(300)
- Highways including London Permit Scheme	6,469	(200)
		(100)
Renewal and Recreation		
- Planning and Renewal	2,028	290

* The projected net underspend on residential, supported living and shared lives in the current year is forecast to produce a full year underspend of £1,100k in 2013/14. This is mainly due to the re-provision programme where funding was given based on existing clients and there have been a number of attritions since that time. Further underspends may arise during 2012/13 and will be identified in future budget monitoring reports.

3.12 Early Warnings

3.12.1 The Glades Rent Share

It is too early in the year to forecast an accurate variation against Bromley's income budget of £2.27m for The Glades rent share, however the trend still appears to be downward and the budget is higher this year (due to the inflation built in). Information is received from the managing agent quarterly in arrears and at September we only have information for one quarter of this financial year. This suggests that we will struggle to achieve the budgeted income this year. It is possible that rent income may improve later in the year; however at the present time it would be prudent to report a possible shortfall of say £200-300k. This potential shortfall has been excluded from the financial projections at this stage. It is hoped that a more firm projection will be available once information has been received for the second quarter.

4. EARMARKED RESERVES

4.1 LPSA / LAA Reward Grant

4.1.1 A total of £8,049k was received in recent years from the achievement of various LPSA and LAA service improvement targets and a further £143k was available on the closure of the Partnership Fund, bringing the total available funding up to £8,192k. Schemes totalling £7,372k have been allocated funding to date, leaving an uncommitted balance of £820k.

4.2 Regeneration/Investment Fund and Invest to Save Fund

4.2.1 In October 2011, the Council approved the creation of two new earmarked reserves; a Regeneration/Investment Fund of £10m to fund property acquisitions to generate long-term income streams and an Invest to Save Fund of £14m to fund initiatives generating long-term revenue savings.

Regeneration/Investment Fund

4.2.2 To date, only one property acquisition has been approved; 95 High Street, Bromley, at a cost of £1,622k. The balance on the Fund, therefore, currently stands at £8,378k. Updates on the position of the Fund are provided to the Executive in quarterly capital monitoring reports, most recently in the report to the Executive on 24th October.

Invest to Save Fund

4.2.3 With regard to the Invest to Save Fund, the Executive agreed in February that the one-off Council Tax Freeze grant receivable in 2012/13 (£3,304k) should be added to the Invest to Save Fund, bringing the total Fund up to £17,304k. Only one scheme has progressed to date; the allocation of £220k to fund the introduction of a trial of a revised green garden waste and textile collection service, approved by the Executive in December 2011. An advance of £220k was made in 2011/12 and £140k was repaid in that year from revenue underspends within the Environment Portfolio. The remaining £80k will be repaid from savings arising from the scheme in 2012/13. Details of all invest to save schemes will be reported to the Improvement & Efficiency Sub-Committee on 12th December.

4.2.4 In March 2012, the Executive approved funding of £7,942k for the replacement of expired street lighting lamp columns, subject to a further report in the autumn on the outcome of the tendering process and the financial implications.

5. POLICY IMPLICATIONS

5.1 “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.

5.2 The “2012/13 Council Tax” report highlighted the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2012/13 to minimise the risk of compounding financial pressures in future years.

6. FINANCIAL IMPLICATIONS

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

Non-Applicable Sections:	Legal, Personnel
Background Documents: (Access via Contact Officer)	<p>Budget Monitoring 2012/13 – Executive 25th July 2012 and Executive 12th September 2012.</p> <p>Provisional Final Accounts 2011/12 – Executive 20th June 2012.</p> <p>2012/13 Council Tax Report – Executive 1st February 2012.</p> <p>Draft 2012/13 Budget and Update on Council’s Financial Strategy 2013/14 to 2015/16 – Executive 11th January 2012.</p> <p>2012/13 Budget Monitoring file held by Technical and Control Finance Section.</p>