

Decision Maker: Executive

Date: 16 July 2014

Decision Type: Non-Urgent Executive Non-Key

Title: BUDGET MONITORING 2014/15

Contact Officer: Lesley Moore, Deputy Director of Finance ,
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Chief Officer: Director of Finance

Ward: Borough Wide

1. Reason for report

- 1.1 This report provides the first budget monitoring position for 2014/15 based on expenditure and activity levels up to May 2014. 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 overspend on services of £3,739k is forecast based on information as at May 2014;
- (c) note the full year cost pressures of £5.2m as detailed in section 3.9 of this report
- (d) note a projected reduction to the General Fund balance of £5.3m to £14.7m as detailed in para 3.8;
- (e) consider the comments from the Director of Transformation and Regeneration, the Director of Education, Care and Health Services and the Director of Environment & Community Services as detailed in sections 3.2 ,3.3 and 3.4;
- (f) agree to the release of £250k to continue our work as the Lead Local Flood Authority as set out in para 3.5.2

- (g) agree the release of £275k from unallocated monies within the Central Contingency for the purchase and installation of the Radio Frequency Identification Data system as detailed in para 3.5.3**
- (h) agree to release £31k from the Central Contingency for the Carbon Reduction Commitment scheme as detailed in para 3.5.4**
- (i) agree to release funding from the Central Contingency of £102k to implement Individual Electoral Registration as detailed in para 3.5.5**
- (j) agree the release of £533k from the Central Contingency for the additional cost of Concessionary Fares as detailed in para 3.5.6**
- (k) agree the release of £40k from the Central Contingency for the cost of LBB staff that transferred to Liberata as set out in para 3.5.7**
- (l) agree all carry forward requests in para's 3.6.1-3.6.7 of this report**
- (m) note the changes in allocation of Government Grant funding for 2014/15 as detailed in section 3.7 of this report**
- (n) 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: N/A
 2. Ongoing costs: Recurring cost.
 3. Budget head/performance centre: Council wide
 4. Total current budget for this head: £125m (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): 3,760 (per 2014/15 Budget), which includes 1,777 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 2014/15 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 2014/15 budget and projected spend as at end of May 2014:-

Portfolio	2014/15	2014/15	2014/15	2014/15
	Original Budget £'000	Latest Budget £'000	Projected Outturn £'000	Variation £'000
Care Services	104,942	104,942	107,733	2,791
Education	4,649	4,946	5,266	320
Environment	32,699	33,014	33,014	0
Public Protection & Safety	2,526	2,526	2,526	0
Renewal & Recreation	8,370	8,699	8,959	260
Resources	39,218	40,011	41,071	1,060
Total Controllable Budgets	192,404	194,138	198,569	4,431
Capital Charges and Insurance	16,827	16,827	16,827	0
Non General Fund Recharges	Cr 917	Cr 917	Cr 917	0
Total Portfolio Budgets	208,314	210,048	214,479	4,431
Contingency Provision	11,850	11,670	11,092	Cr 578
Interest on General Fund Balances	Cr 1,591	Cr 1,591	Cr 1,591	0
Other Central Items	Cr 6,308	Cr 6,308	Cr 6,308	0
General Government Grants	Cr 83,861	Cr 83,861	Cr 83,975	Cr 114
Collection Fund Surplus	Cr 2,964	Cr 2,964	Cr 2,964	0
Total Central Items	Cr 82,874	Cr 83,054	Cr 83,746	Cr 692
Total Variation	125,440	126,994	130,733	3,739

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.

3.2 Comments from the Director of Transformation and Regeneration (Resources Portfolio)

3.2.1 The.1 £1,438k overspend within Strategic Property Services mainly relates to a shortfall in rental income and includes the projection for Investment Fund income which is a shortfall of £1,410k.

3.2.2 The Regeneration Investment Fund, for investment in property, was created to identify key investment opportunities which would also assist in the regeneration ambitions of the Council. The target financial return for this fund is £2.025m in 2014/15.

3.2.3 Four properties (72 - 76, 95, 98, 104 - 108 High Street) have been purchased to date costing to £9.8M. The annual income expected from these four properties in 2014/15 is £615k, resulting in a FYE shortfall of £1,410k Dr. The full rent contractually payable under the leases is being received and further increases cannot be achieved until future rent reviews become due.

3.2.4 Further acquisitions are in progress. The Executive agreed to the purchase of 147 - 153 High Street on 12 Jun 2013, and full Council approval was given on 1 Jul 2013. On 12 Feb 2014, Members agreed the purchase of 145 High Street (Top Shop). The full year annual income from the two additional acquisitions would be £1,065k. Papers have recently been forwarded to Legal, and the conveyancing work is

progressing, however there is no firm date for completion, so no allowance has been made in the projections for the rental income from these additional properties. If the acquisitions were to complete by the end of August, however, the additional rent income would be £621k in 2014/15, and the FYE would reduce from £1,410k to £345k. Further investment would be required to meet the budget shortfall.

- 3.2.5 Bromley should receive additional rent share income once the Queens Gardens development is completed. INTU estimate that this additional income would be £17k in 2015, £78k in 2016, £82k in 2017, rising to £93k in 2020. Bromley's contribution to this project will be funded from the Economic Development and Investment Fund and a sum of £990k has been allocated for this purpose.

3.3 Comments from the Director of Education, Care and Health Services

Care Portfolio:

- 3.3.1 The paper details the pressures apparent in the Care budget. Members will note the very particular pressures on the adult social care budget, and actions continue to contain these costs. However, the numbers of clients in bed-based care remains around 100 over budget, exerting a considerable pressure on the system.
- 3.3.2 The contingency for housing that is held centrally is £1.2m and this was identified last year as a pressure.
- 3.3.3 There are unfunded costs placed upon the Council by Central Government for those with no recourse to public funds and there are considerable pressures on our children's placement budgets. As in previous years, senior officers are looking across their budgets for alternative savings but these are increasingly hard to find.

Education Portfolio:

- 3.3.4 The outturn is broadly in-line with the predictions made in the previous monitoring report. The significant underspend on DSG will need to be addressed with the guidance of schools' forum and the actions taken to control vacancies to ensure that overspends across the portfolio, such as those seen in the Adult Education Service, could be offset.
- 3.3.5 Members of the PDS will want to note that the controllable element of the education budget is £1.1m and that this value will reduce further as more schools enter the academy programme. This makes offsetting budget pressures within the education very difficult. Centrally retained DSG is used appropriately to support schools but we are very limited as to how we can utilise it and so an underspend in the DSG element of the education budget cannot be used to support the non-DSG spend.

3.4 Comments from the Director of Environment and Community Services

- 3.4.1 Overall, the controllable budget for the Renewal and Recreation Portfolio is projected to overspend by £260k.
- 3.4.2 As part of the budget setting process for 2014/15 a budget savings target of £150k was included in the culture budget. To date, £90k savings have been identified leaving a balance of £60k. It is intended to identify further savings during the next few months in order to ensure that the culture budget will be balanced from April 2015 onwards.

3.4.3 The full years savings of £300k built into the library budget will not be realized until April 2015 due to two factors; the first is that a detailed consultation has been undertaken during the last few months with both the public and the library staff over options for reducing opening hours and the second is that in order to achieve the reduction in staffing, it is necessary to install the Radio Frequency Identification Data system (RFID system) in the remaining 9 libraries. This installation will not be completed until after October 2014 and therefore only part year savings of £100k will be achieved for 2014/15.

3.5 Central Contingency Sum

3.5.1 Details of the variations in the 2014/15 Central Contingency are included in Appendix 3.

3.5.2 Lead Local Flood Authority

As detailed in a report elsewhere on the agenda, it is the Council's third year as a Lead Local Flood Authority and funding of £250k is held in the Contingency to meet the responsibilities required by the Flooding and Water Act 2010. The report details the utilisation of this funding and requests the Executive to agree the drawdown via the Central Contingency to the Environment Portfolio

3.5.3 Library Service

£300k savings were built into the 2014/15 library services budget within the Renewal and Recreation Portfolio. In order to achieve these savings it is necessary to purchase and install the RFID system in the remaining 9 libraries at a cost of £275k. It should be noted that the full £300k savings will be achieved within 12 months of the installation of the system. Executive is requested to agree drawdown of this sum from the unallocated monies within the Central Contingency.

3.5.4 Carbon Tax

As schools are now excluded from the Carbon Reduction Commitment (CRC) scheme, the Council falls below the participation threshold for CRC Phase 2, which started April 2014. Officers have registered the Council's non-participation with the Environment Agency.

This means that the Council no longer has to pay for carbon tax allowances from April 2014. However, the Local Government Finance Settlement for LBB will be reduced from 2015/16 to compensate for the loss of income to the Treasury. Similarly, the DSG has also been reduced to reflect loss of income to the Treasury from no longer taxing carbon emissions from schools.

The Central Contingency currently includes a sum of £300k set aside to meet the costs of carbon tax allowances, the LASER Bureau energy data management service (LBS) and the London Energy Project (LEP) membership. From April 2014, a sum of £31k is required to meet the costs of the LBS and the LEP, enabling a sum of £269k to be released from Central Contingency. It is, therefore, proposed to transfer the sum of £31k to the Resources Portfolio to meet these on-going costs.

It should be noted that the CRC scheme will be reviewed during 2016. It is probable that the Council will qualify for the new scheme. The financial impact of any future changes will be reported back to Members.

3.5.5 Individual Electoral Registration Funding

For 2013/14 local councils have been given grant funding to support the implementation of Individual Electoral Registration. As a result the Council received a sum of £102,335 which needs to be drawn down from the Central Contingency so that the work can commence. IER is the most significant change to our system of electoral registration for many years; the changes aim to modernise and improve our electoral registration system, creating one which has better protection against electoral fraud and is more convenient for citizens to register to vote. It will put citizens first and aims to increase public trust in our elections while maintaining the level of completeness and accuracy in the electoral register.

3.5.6 Concessionary Fares

Concessionary Fares are administered by London Councils on behalf of the London Boroughs. There was a change in the apportionment of Concessionary Fares between Boroughs for 2014/15 as a result of updated data becoming available. The change in apportionment had a significant impact for LBB and provision was made for this in the 2014/15 Central Contingency pending details being provided by London Councils. Provision of £9,878,900 was made in the Chief Executive's budget and £614,000 in the central contingency, a total of £10,492,900. The final cost notified by London Councils was £10,412,177 and consequently Members are requested to approve the draw-down of £533,277 from the central contingency leaving a sum of £80,723 that is no longer required.

3.5.7 LBB Pension Fund- Liberata

The administration of the Customer Service Centre was outsourced to Liberata during 2013/14. This resulted in the staff transferring from the LBB pension fund to the Liberata pension fund. It was agreed that any additional employers pension costs would be funded by LBB. Liberata have requested an increase in the contract payments following a calculation by their actuary. The additional cost to Bromley this year is £40,023 (including £10,050 that relates to 2013/14). Members are requested to approve the draw-down of this sum from the central contingency.

3.6 **Carry Forwards from 2013/14 to 2014/15**

3.6.1 Tackling Troubled Families

A sum of £904k was carried forward from 2012/13 and 2013/14 for Tackling Troubled Families. Detailed reports on proposals to spend this funding have already been to the Care Services PDS and Executive over the last year. In order to continue with phase 1 the drawn down of £764k is requested from the Central Contingency.

3.6.2 Care Bill

Executive agreed that £266k could be drawn down from the Central Contingency in 2013/14 to undertake the detailed work arising from the Care Bill. Only £17k was spent in 2013/14 and so the balance of £249k was carried into 2014/15 and is requested to be drawn down. The Portfolio Holder has agreed this.

3.6.3 Invest to Save – older people, adults & young people

A sum of £449k is requested to be released from the Central Contingency to continue with the Invest to Save work for older people with dementia, adults with physical disabilities and young people with learning disabilities. The Portfolio Holder has agreed this.

3.6.4 Invest to Save –older peoples day opportunities

On the 6th February 2013 Executive agreed the commissioning strategy for older peoples day opportunities which includes a £876k invest to save funding spread over two years, £612k in 2013/14 and £264k in 2014/15. To enable the invest to save to deliver the second tranche the drawdown of £264k is being requested this cycle. The Portfolio Holder has agreed this

3.6.5 Children's Centres

Officers requested a carry forward from the 2013/14 Bromley Children's Project underspends of £297k as approved by the Executive on the 2nd April 2014. The money is to be used along with balances of £421k in the Sure Start Capital Programme to make essential repairs to Castlecoombe and Mottingham children's centres.

3.6.6 Renewal & Recreation

The Outturn report to the Renewal and Recreation PDS Committee on 23rd June 2014 requests the Portfolio Holder to approve the release of carry forward sums totalling a net £60k from the Central Contingency.

3.6.7 Works at Keston Dam

The Outturn report to the Environment PDS Committee on 1st July 2014 requests the Portfolio Holder to release the carry forward sum of £65k from the Central Contingency for works at the Keston Dam

3.7 **Changes in General Government Grants**

3.7.1 Public Health Grant has increased from £12,600,800 in 2013/14 to £12,953,600 in 2014/15. The increase in funding of £352,800 will be allocated to the Central Contingency for future drawn down.

3.7.2 The Council has been allocated additional grant funding in 2014/15 of £114,415 for the New Homes Bonus Allocation. This is funding that was originally allocated from the 2014/15 Local Government Finance Settlement to fund the New Homes Bonus, with a commitment that any not used for this purpose would be returned to local authorities pro-rata to their 2013/14 start-up funding allocation.

3.7.3 The Council has been allocated a new grant of £133,807 in 2014/15 for Localising Council Tax New Burdens. This is part of the wider set of reforms to the welfare system. The funding is to provide support to local authorities to cover the net new burdens associated with setting up a local Council Tax support scheme.

3.7.4 A further sum of £66,463 grant funding has been allocated to Bromley for Welfare Reform changes in 2014/15.

3.7.5 The SEND Pathfinder Champion Grant for 2014/15 is £71,063 compared to the original estimate of £44,600, an additional £26,463.

3.7.6 The final grant allocation for 2014/15 Tackling Troubled Families was £318,000 compared to the estimate of £426,400 so a reduction in grant funding this year of £108,400.

3.8 General Fund Balances

3.8.1 The level of general reserves is currently projected to reduce by £5.3m to £14.7m at 31st March 2015. Further details are provided below:

	£'000
General Fund Balance at 1st April 2014	-20,000
Total Variation (para 3.1)	3,739
Adjustments to Balances:	
Carry forwards (funded from 2013/14 underspends)	1,554
Projected General Fund Balance 31st March 2015	-14,707

3.9 Impact on Future Years

3.9.1 The report identifies expenditure pressures which could have an impact on future years. The main areas to be considered at this stage are summarised in the following table:

	2014/15 Budget £'000	2015/16 Impact £'000
Care Services Portfolio		
Assessment & Care Management	25,475	1,416
Learning Disabilities Care Management	2,052	308
Childrens Placements	17,238	300
No Recourse to Public Funds	3,413	155
Adults with Learning Disabilities	24,311	500
Adults with Mental Health Needs	5,644	285
Housing Needs	4,576	493
		3,457
Education Portfolio		
Adult Education	-602	230
Education Services Grant	-2,732	166
		396
Resources Portfolio		
Corporate Services Division	3,408	-107
HR	1,521	9
Chief Executives	178	-32
Transformation & Regeneration	-6,356	1,463
		1,333

3.10 The Schools' Budget

3.10.1 There is currently a projected underspend of £1,285k 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 2014/15 monitoring for the Schools' Budget will be reported to the Education Portfolio Holder.

3.11 Interest on Balances

3.11.1 A rate of 1% was assumed in the 2014/15 budget for interest on new investments and the budget for net interest earnings was set at £1,591k. Interest rates appear to have started to increase slowly, but there have been no improvements to counterparty credit ratings, which means that the restrictions to investment opportunities that followed ratings downgrades in recent years are still in place. In order to improve returns at little or no extra risk, deposits have recently been placed for 2 years at between 1.3% and 1.5% with the part-nationalised banks and for up to 3 years with other local authorities at similar rates. The Director of Finance is looking at further investment opportunities and will report to the September E&R PDS Committee. At this early stage, it is estimated that the 2014/15 budget for interest earnings will be achieved.

4 EARMARKED RESERVES

Economic Development & Investment Fund and Invest to Save Fund

4.1 Economic Development & Investment Fund

A detailed analysis of this Fund, dating back to its inception in September 2011, was provided to the June meeting in the Capital Programme Outturn 2013/14 report. Total funding of £61.1m has been placed in the earmarked reserve to date to contribute towards the Council's economic development and investment opportunities, including £13.8m from 2013/14 underspends approved at the June meeting. A total of £29.4m has been allocated to date, mainly on the acquisition of High Street properties, leaving an uncommitted balance of £31.7m as at 31st March 2014.

4.1.2 Invest to Save Fund

This earmarked reserve was set up in the sum of £14m with the approval of full Council in October 2011 to enable "loans" to be provided for Invest to Save initiatives, with advances to be repaid within a "reasonable" period and on-going revenue savings to contribute towards reducing the budget gap. In February 2013, the Executive agreed that the one-off Council Tax Freeze grant in 2012/13 be added to the Fund, bringing the total balance up to £17,304k. Five schemes have been approved to date and, as at 31st March 2014, the actual balance on the Fund stood at £15,975k. More detail on this was provided to the June meeting in the Final Accounts report.

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 "2014/15 Council Tax" report highlighted the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2014/15 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)	Financial Management Budget Monitoring files across all Portfolios. Provisional final Accounts - Executive 10 th June 2014 Draft 2014/15 Budget and Update on Council's Financial strategy 2015/16 to 2017/18 - Executive 15 th January 2014/15 Budget Monitoring file held by Technical and Control Finance Section