

**Decision Maker:** Executive

**Date:** 10<sup>th</sup> September 2014

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

**Title:** BUDGET MONITORING 2014/15

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**Chief Officer:** Director of Finance

**Ward:** Borough Wide

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1. Reason for report

- 1.1 This report provides the second budget monitoring position for 2014/15 based on expenditure and activity levels up to July 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 £4,351k is forecast based on information as at July 2014;
- (c) note the full year cost pressures of £5.5m as detailed in section 3.9 of this report;
- (d) note a projected reduction to the General Fund balance of £3.8m to £16.2m 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 release funding from the Central Contingency of £66k for Welfare Reform as detailed in para 3.5.2;
- (g) agree to release funding from the Central Contingency of £36k for Staying Put as detailed in para 3.5.3;

- (h) agree all carry forward requests in para's 3.6.1- 3.6.7 of this report;**
- (i) note the changes in allocation of Government Grant funding for 2014/15 as detailed in section 3.7 of this report;**
- (j) Members views are sought on the amount of monies that should be set aside as an earmarked reserve for the "Parallel Fund" as detailed in para 5.1; and**
- (k) 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 July 2014:-

<b>Portfolio</b>	<b>2014/15 Original Budget £'000</b>	<b>2014/15 Latest Budget £'000</b>	<b>2014/15 Projected Outturn £'000</b>	<b>2014/15 Variation £'000</b>
Care Services	104,941	104,952	107,842	2,890
Education	4,649	4,946	5,315	369
Environment	32,699	33,014	33,221	207
Public Protection & Safety	2,526	2,526	2,526	0
Renewal & Recreation	8,370	8,699	8,889	190
Resources	39,218	40,131	40,826	695
<b>Total Controllable Budgets</b>	<b>192,403</b>	<b>194,268</b>	<b>198,619</b>	<b>4,351</b>
Capital Charges and Insurance	16,827	16,943	16,943	0
Non General Fund Recharges	Cr 916	Cr 916	Cr 916	0
<b>Total Portfolio Budgets</b>	<b>208,314</b>	<b>210,295</b>	<b>214,646</b>	<b>4,351</b>
Contingency Provision	11,850	11,423	9,403	Cr 2,020
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
<b>Total Central Items</b>	<b>Cr 82,874</b>	<b>Cr 83,301</b>	<b>Cr 85,435</b>	<b>Cr 2,134</b>
<b>Total Variation</b>	<b>125,440</b>	<b>126,994</b>	<b>129,211</b>	<b>2,217</b>

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 £1,313k 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. A report elsewhere on the agenda provides an update on the work undertaken so far.

3.2.3 Bromley should receive additional rent share income from The Glades 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 placement budget in both adult and children's services give cause for concern. Evidence shows that the numbers of adult residents being placed in residential homes is continuing its downwards trend, standing at 312 at the beginning of July, the lowest number for several years. However, clients presenting to Panel are increasingly complex and so numbers in nursing homes remains stubbornly high. Voids continue to be managed downwards in our new Extra Care Housing schemes but we continue to see significant numbers not least because of safeguarding concerns in one scheme that precluded placement. This has now been addressed. Nonetheless very considerable pressures remain on this element of our services with the complex needs of those entering ECH schemes meaning that we have to offer typically around a third more hours than the original modelling predicted. However budgets were adjusted in 2014/15 to reflect this.
- 3.3.2 The need for more effective demand management was put to the last PDS for Scrutiny and the business case accepted. This work will be underway by early September with a report due back to the Portfolio Holder once the savings model has been agreed with the contractor. The pressures on the commissioning budget appear to arise from the recoding of activity as required by central government. The expenditure has yet to follow the recoded budget, but the pressures are captured in this report, even though they may not yet be under the correct heading. The complexity of these issues are given in the 'Reasons for Variations' commentary elsewhere in this Report.
- 3.3.3 Children's social care remains under pressure from those with no recourse to public funds, a largely demand-led budget, and several high cost placements, including two secure placements made at the start of the financial year.
- 3.3.4 It has been assumed in this budget monitoring report that the overspend on Housing for bed and breakfast placements of £658k will be offset against the £1.2m held in the central contingency. Members will want to be aware that the very considerable pressures predicted for Housing in this year are being realised and still we see no slowing down of those pressures.

#### Early Warning

- 3.3.5 DoLs remain a very serious issue for the Council. One third of the way through the year we have completed three times the number of applications submitted to Court in all of last year. A best guess at this point is that our pressure here will be no more than 10 times that spent last year, less that the 'worst case prediction of £2m+ but nonetheless a considerable sum not included in our budget.

#### **Education Portfolio:**

- 3.3.6 The education budget is projecting a small overspend as a result of the pressures on Adult Education. Changes in funding from central government has left some of its courses very exposed and staff will be looking at how costs might be controlled in the planning of the coming term's programmes.

### **3.4 Comments from the Director of Environment and Community Services**

#### **Renewal and Recreation Portfolio:**

- 3.4.1 Overall, the controllable budget for the Renewal and Recreation Portfolio is projected to be overspent by £190k.
- 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 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.
- 3.4.4 The overspend of £260k within Recreation is partly offset by an underspend of Cr £70k within Planning.

#### **Environment Portfolio:**

- 3.4.5 Overall, the controllable budget for the Environment Portfolio is projected to be overspent by £207k.
- 3.4.6 The projected overspend in Waste Services is primarily due to the decline in the tonnage of paper collected and the increase in volume of residual tonnage collected. Both of these factors are reflected on the national stage and largely outside our control. However, officers are investigating options to mitigate the potential overspend both for 2014/15 and future years, which may include possible reductions in budgets in other service areas within Environmental Services. The trends will be monitored and possible management actions reported in future budget monitoring reports.
- 3.4.7 The overspend of £280k within Waste Services is partly offset by an underspend of Cr £73k within Parking.

### **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 The Council has received additional funding of £66,463 for 2014/15 to meet the costs of implementing welfare reform changes, which has been included in the central contingency. The cumulative impact of these changes are now been seen with an increasing caseload of households at risk of becoming homeless, due to the caps now placed on their housing benefit eligibility. It is proposed to use this additional grant funding to work intensively with those households affected by the recent changes to assist in mitigating the potential risk of homelessness. This work which is now embedded in the service seeks to work in partnership to assist households to explore a range of options to resolve the caps faced. This includes access training and employment, debt and budgeting advice, moving to more affordable accommodation and so forth. Solutions can

vary depending on individual households circumstances and as such flexibility is requested to use the sums across the range of prevention and housing options.

- 3.5.3 The central contingency includes provision of £36,487 for Staying Put, which is a new duty on local authorities to support young people to continue to live with former foster carers. Previously this duty ended when the young person reached the age of 18, but the placement can now continue up to the age of 21. A request to draw down this funding is being made this cycle to support costs associated with maintaining a “Staying Put” arrangement.
- 3.5.4 The central contingency assumed provision of £1,960k for the impact of maintained schools converting to academies. The pace of conversion has been much slower than originally anticipated which means that the impact in this financial year will be around £519k or less, and so £1,441k can be released back into the central contingency as it is no longer required.

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

#### 3.6.1 Social Care Invest to save - £40,000

In June 2014 the Executive approved the drawdown of £489k to continue the invest to save projects in Adult Social Care. At the last Care PDS in June only £449k was requested to be drawn down. The remaining £40,000 is requested to be drawn down this cycle to enable all of the work to be carried out in year. This has been agreed with the Portfolio Holder.

#### 3.6.2 Public Health Transition Grant - £42,264

The Council was allocated a total of £210,000 additional funding between 2012/13 and 2013/14 to assist with the additional costs incurred by the Council with regard to the transfer process of the Public Health function to local government. The balance of £42k is required to complete this exercise, mainly around finalising legal, commissioning and contracts issues and support joint working with the CCG. This has been agreed with the Portfolio Holder.

#### 3.6.3 Public Health Grant - £43,920

A report to Care Services PDS in October 2013 was approved, which sought to maximise the effectiveness of the NHS Health Check Programme. The funding was carried forward into 2014/15 and held in contingency. The projects are now underway and therefore approval is sought to draw down the funding. The first project is to improve diabetes prevention in Bromley and the second is to perform a comprehensive evaluation of the NHS Health Checks programme. This has been agreed with the Portfolio Holder.

#### 3.6.4 Customer Contact Centre - £26,342

Executive approved the carry forward of £26,342 to fund staff required for the project and strategy work relating to the customer contact centre to deploy the portal and manage customer demand away from face to face and telephone channels. This has been agreed with the Portfolio Holder.

#### 3.6.5 Cabinet Office - £22,260

Additional grant was received in March 2014 from the Cabinet Office to support the significant legislative changes required by the introduction of Individual Electoral Registration. Due to the lateness of the grant allocation it was not possible to spend this funding in 2013/14 and so this was carry forward into 2014/15. To enable this work to

commence a drawdown of funding is being requested this cycle. This has been agreed with the Portfolio Holder.

### 3.6.6 CCG Funding to Comms Team - £9,806

In 2012/13 funding of £58k was received from the Clinical Commissioning Group under a Section 256 agreement, for the delivery and implementation of a communication strategy to support Health's Proactive Management of Integrated Services for the Elderly (ProMISE). To date £48k has been spent and the balance of £9,806 is to be used to fund staff costs in supporting small projects commissioned by Bromley CCG . This has been agreed with the Portfolio Holder.

### 3.6.7 Disaster Recovery - £105k

Executive agreed the carry forward of £105k at the end of 2013/14 to fund a new disaster recovery solution, in order to maintain key services in the event of the loss of systems at the civic site. This work now needs to proceed, so drawn is being requested. This has been agreed with the Portfolio Holder.

## 3.7 Grant Income and changes in General Government Grants

### 3.7.1 Care Bill Implementation Grant - £125,000

Since the 2014/15 budget was agreed, a new grant has been allocated to the Council to implement the Care Bill. The grant is to provide additional support to local authorities to build in change management capacity to implement the requirements of the Care Bill in advance of the implementation funds already confirmed for 2015/16.

### 3.7.2 SEND Implementation Grant - £259,317

A new grant has been received in 2014/15 to provide support to local authorities to implement the SEND reforms. This includes transferring children and young people from statements and young people in further education or training who had Learning Difficulty Assessments to Education, Health and Care plans.

## 3.8 General Fund Balances

3.8.1 The level of general reserves is currently projected to reduce by £3.8m to £16.2m at 31<sup>st</sup> March 2015. Further details are provided below:

	<b>2013/14 Projected Outturn £'000</b>
General Fund Balance at 1st April 2014	-20,000
Total Variation (para 3.1)	2,217
Adjustments to Balances:	
Carry forwards (funded from 2013/14 underspends)	1,554
<b>Projected General Fund Balance 31st March 2015</b>	<b><u>-16,229</u></b>





diversified growth funds. At this 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, is included in a report elsewhere on the agenda (“Acquisition of Investment Properties”. Total funding of £66.1m has been placed in the earmarked reserve to date to contribute towards the Council’s economic development and investment opportunities. A total of £29.4m has been allocated to date, mainly on the acquisition of High Street properties, and the report elsewhere on the agenda seeks approval to allocate a further £6m, which would reduce the uncommitted balance to £30.7m.

#### **4.1.2 Invest to Save Fund**

This earmarked reserve was approved by Council in October 2011, with an initial allocation of £14m, 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. Parallel Fund**

- 5.1 The 2014/15 Budget included annual revenue savings of £0.9m to reflect the increase in the pension fund deficit recovery period to 15 years. At its meeting on 24th February 2014, Council agreed that a “Parallel Fund” be set up with investments through a Diversified Growth Fund.
- 5.2 The “Treasury Management – Investment Strategy Review & Q1 Performance 2014/15” report elsewhere on this agenda includes proposals for investments of £10m in Diversified Growth Fund as part of the Treasury Management Strategy.
- 5.3 Members views are sought on the amount that should be set aside in an earmarked reserve as part of the “Parallel Fund”. If for example the amount set aside was for the equivalent savings for the 3 year period (3 x £0.9m) a sum of £2.7m would be set aside. There is funding available from earmarked reserves, previously set aside, relating to the Interest Rate Risk Reserve (a sum of £1.185m which may not be required if predicted increase in interest rates on investments arise) and the Provision for Impact of Recession (a sum of £1.5m which may no longer be required given the positive economic growth in the UK economy). Any further funding required would need to be met from any future revenue underspends that may arise or from the Economic Development and Investment Fund. An element of investment earnings from the Diversified Growth Fund will be earmarked to match the value of the “Parallel Fund”.

## 6. POLICY IMPLICATIONS

- 6.1 “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.
- 6.2 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.

## 7. FINANCIAL IMPLICATIONS

- 7.1 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)	Financial Management Budget Monitoring files across all Portfolios.  Provisional final Accounts - Executive 10 <sup>th</sup> June 2014  Draft 2014/15 Budget and Update on Council’s Financial strategy 2015/16 to 2017/18 - Executive 15 <sup>th</sup> January  2014/15 Budget Monitoring file held by Technical and Control Finance Section