

Decision Maker: Executive

Date: 26th November 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 third budget monitoring position for 2014/15 based on expenditure and activity levels up to September 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. **RECOMMENDATIONS**

2.1 **Executive are requested to:**

- (a) consider the latest financial position;
- (b) note that a projected net overspend on services of £3,180k is forecast based on information as at September 2014;
- (c) note the full year cost pressures of £5.9m as detailed in section 3.6 of this report
- (d) note a projected reduction to the General Fund balance of £1.9m to £18.1m as detailed in para 3.5;
- (e) consider the comments from the Director of Education, Care and Health Services and the Director of Transformation and Regeneration as detailed in sections 3.2 and 3.3;
- (f) note the additional funding of £680k from Bromley CCG for winter resilience, which will be held in the Central Contingency as detailed in section 3.4 of this report
- (g) 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 September 2014:-

Portfolio	2014/15 Original Budget £'000	2014/15 Latest Budget £'000	2014/15 Projected Outturn £'000	2014/15 Variation £'000
Care Services	104,941	106,152	108,920	2,768
Education	4,649	4,946	5,221	275
Environment	32,699	33,003	33,003	0
Public Protection & Safety	2,526	2,526	2,491	Cr 35
Renewal & Recreation	8,370	8,713	8,782	69
Resources	39,218	40,128	40,231	103
Total Controllable Budgets	192,403	195,468	198,648	3,180
Capital Charges and Insurance	16,827	16,943	16,943	0
Non General Fund Recharges	Cr 916	Cr 916	Cr 916	0
Total Portfolio Budgets	208,314	211,495	214,675	3,180
Contingency Provision	11,850	10,223	8,203	Cr 2,020
Interest on General Fund Balances	Cr 1,591	Cr 1,591	Cr 2,391	Cr 800
Other Central Items	Cr 6,308	Cr 6,308	Cr 6,308	0
General Government Grants	Cr 83,861	Cr 83,861	Cr 83,859	2
Collection Fund Surplus	Cr 2,964	Cr 2,964	Cr 2,964	0
Total Central Items	Cr 82,874	Cr 84,501	Cr 87,319	Cr 2,818
Total Variation	125,440	126,994	127,356	362

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 Education, Care and Health Services

Care Portfolio:

3.2.1 The very significant pressures reported to the Care PDS in the last budget report remain. A range of actions have been taken which are serving to contain pressures but the efficiency savings are proving very hard to secure following the very significant savings already made in moving from 2013/14 to 2014/15.

3.2.2 We have implemented changes to our panel processes, improved the performance of BSSD, increased the resource available to reablement to ensure as many residents as possible are diverted from our more formal services and continue to hold back both posts and other departmental expenditure. Regular reviews of high cost placements indicate broadly we are meeting eligible needs and not exceeding them. Where savings options identified for next year are able to be taken, these are now being so, but Members will also want to note the significant pressures projecting forward into 2015/16.

Education Portfolio

3.2.3 The Education budget remains broadly on-line with projections. Known and anticipated pressures contribute a significant proportion of the overall projected shortfall. Managers in the adult education service have been working tirelessly to reduce their projected overspend. As a consequence, we are beginning to see the results of their work in this forecast. However, that particular pressure does remain and the Members' budget group are helpfully looking at it as part of their work profile.

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

3.3.1 The £700k 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 £841k.

3.3.2 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.

3.4 Central Contingency Sum

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

3.4.2 Additional funding of £680k has been made available from Bromley CCG in 2014/15 for winter resilience, of which £500k relates to potential additional cost of care packages and £180k increase in equipment to help keep people in their own homes

3.5 General Fund Balances

3.5.1 The level of general reserves is currently projected to reduce by £1.9m to £18.1m at 31st March 2015. Further details are provided below:

	2013/14
	Projected
	Outturn
	£'000
General Fund Balance at 1st April 2014	-20,000
Total Variation (para 3.1)	362
Adjustments to Balances:	
Carry forwards (funded from 2013/14 underspends)	1,554
Projected General Fund Balance 31st March 2015	-18,084

3.6 Impact on Future Years

3.6.1 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				24,002	1,860
Learning Disabilities - Adult Social Care				6,527	49
Childrens Placements				28,802	474
Adults with Learning Disabilities				24,271	1,045
Adults with Mental Health Needs				6,348	943
Supporting People				2,006	-189
Housing Needs				5,776	375
					4,557
Education Portfolio					
Adult Education				-602	259
Education Services Grant				-2,732	743
					1,002
Resources Portfolio					
Revenues & Benefits				6,431	-327
					-327
Environment Portfolio					
Waste				17,570	743
TOTAL					5,975

3.7 The Schools' Budget

3.7.1 There is currently a projected underspend of £1,513k 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.

3.8 Interest on Balances

3.8.1 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 mean that the restrictions to investment opportunities that followed ratings downgrades in recent years have still been in place. In October, however, following a recommendation from the Executive, the Council approved an increase in the limits for the two part-nationalised banks (Lloyds and RBS) from £40m and 2 years to £80m and 3 years and, this, together with higher rates from longer-term deals placed with other local authorities and with higher average balances than anticipated, has resulted in a considerable improvement in interest earnings in 2014/15. At this stage, it is estimated that the 2014/15 outturn for interest earnings will be around £0.8m above budget.

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 included in a report to the September meeting (“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 £35.4m has been allocated to date, mainly on the acquisition of High Street properties and the uncommitted balance currently stands at £30.7m.

4.2 The ‘Growth Fund Update’ report elsewhere on the agenda requests Members to approve an allocation of £10m from the Economic Development & Investment Fund to be ring fenced for investments which support growth initiatives in Biggin Hill, Cray Business Corridor and Bromley Town Centre.

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