

Decision Maker: Executive

Date: 11th February 2015

Decision Type: Non-Urgent Executive Non-Key

Title: BUDGET MONITORING 2014/15

Contact Officer: Tracey Pearson, Chief Accountant,
Tel: 020 83134323 E-mail: tracey.pearson@bromley.gov.uk

Chief Officer: Director of Finance

Ward: Borough Wide

1. Reason for report

- 1.1 This report provides the fourth budget monitoring position for 2014/15 based on expenditure and activity levels up to November 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.
-

2. **RECOMMENDATIONS**

2.1 Executive are requested to:

- (a) consider the latest financial position;
- (b) note that a projected net overspend on services of £872k is forecast based on information as at November 2014;
- (c) consider the comments from the Director of Education, Care and Health Services, the Director of Transformation and Regeneration and the Director of Environment and Community Services as detailed in sections 3.2, 3.3 and 3.4;
- (d) agree to release funding from the Central Contingency of £55k for Biggin Hill Development as detailed in para 3.5.4;
- (e) agree to release funding from the Central Contingency of £163k for Deprivation of Liberty Safeguards as detailed in para 3.5.5;
- (f) note a projected increase to the General Fund balance of £474k to £20.5m as detailed in section 3.6;
- (g) note the full year cost pressures of £5.1m as detailed in section 3.7 of this report;
- (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.
-

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
-

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
-

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
-

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.
-

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 November 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	106,355	107,625	1,270
Education	4,649	4,955	4,914	Cr 41
Environment	32,699	33,014	32,925	Cr 89
Public Protection & Safety	2,526	2,529	2,494	Cr 35
Renewal & Recreation	8,370	8,772	8,763	Cr 9
Resources	39,218	40,148	39,924	Cr 224
Total Controllable Budgets	192,403	195,773	196,645	872
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	211,800	212,672	872
Contingency Provision	11,850	9,918	8,116	Cr 1,802
Interest on General Fund Balances	Cr 1,591	Cr 1,591	Cr 2,691	Cr 1,100
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 84,806	Cr 87,706	Cr 2,900
Total Variation	125,440	126,994	124,966	Cr 2,028

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 As detailed in the appendix, the requirement from the Department of Health to introduce a new form of activity reporting in adult social care has caused very significant problems across the country and we have not been exempt from them. I am particularly grateful to staff in adult social care and in our strategy team who gave up time over weekends and indeed over the Christmas holiday to further debug the system. However, errors remain and this makes it difficult to pinpoint issues, and particularly so in the older people's budgets across Care Management and Mental Health. The bottom line is, however, accurate: nonetheless, further work needs to be done to reconcile expenditure across these budgets and to help us better understand the pressures in mental health.

3.2.2 We are awaiting determination from the CCG on £1.3m of our claims for continuing health care (CHC) contributions. This is a very complex area and the Care Policy Development and Scrutiny Committee have discussed this previously. Broadly, a number of our clients will have very clear **health** needs which, by Law, local government cannot usually fund. To facilitate, for example, rapid discharge from the Princess Royal, we will accept these clients and then claim retrospectively for any health needs. We would also make a claim for any assessed clients we believe have health needs. Historically, we have always struggled to gain agreement from our partners in the CCG as to the precise level of health contribution and these claims are presently under assessment by a contractor brought-in by the Clinical Commissioning Group. This contractor is retained by the CCG and so is not

independent. However, we have seen very good progress with our complex children's packages, but we remain concerned that the CCG may not agree with our assessments. Should that be the case, we will need to agree an appeals procedure. It is not our expectation that we will win back all of the claimed monies.

- 3.2.3 Members will have seen the considerable progress in bringing the projected outturn nearer to the budgeted sums. We have held the number of older people's placements broadly static across the year but were required to reduce them by around 60: this simply has not proved possible. In addition, Members may recall the fact that some 20 or so care packages agreed late in 2013/14 were not funded in this year's budget placing a further £816k on the budget in addition to the agreed savings and the £1.45m efficiencies.
- 3.2.4 Across the last two quarters we have reduced the projected overspend by around £1.5m. We continue our regular programme of review, ensuring the best possible match between unmet assessed needs and the packages we provide to clients. We have held posts vacant, introduced robust approaches to awarding support and, more recently with support from the CCG, increased our ability to offer reablement. However, very considerable pressures remain in the system.
- 3.2.5 We see little let-up in the pressures from those requiring temporary accommodation, and the proposed provision of Manorfields should help mitigate at least some of those pressures, but staff in Housing remain under considerable pressure and are to be commended for their exceptional work in managing in very challenging circumstances. Closing or redesignating one of the extra care housing schemes as surplus to requirement is under discussion elsewhere. We also continue to see those with no recourse to public funds presenting to children's social care significantly in excess of the numbers funded by central government.
- 3.2.6 The changes in interpretation of the regulations around Deprivation of Liberty Safeguards (DoLS) have placed enormous pressure on the system this year and continues so to do. This is a major contributor to the pressures taken forward into next year, and will require a significant increase in staffing to manage efficiently. I am particularly grateful this year to staff who have accepted the challenge of developing our new approach to DoLS, often alongside their 'day job', but this is not sustainable.
- 3.2.7 Work with the CCG on the Better Care Fund resulted in our submission being approved, but not until after some small changes required by the NHS. This covers the spend of over £20m of funds held in common between the CCG and the Borough and so will form a key part of the work in the coming year. The monies for 14/15 allowed us to invest more in-year in supporting placements and, latterly, reablement, but sourcing high quality staff to undertake this additional work remains a very significant challenge. The monitoring of this work is one of the responsibilities of the Health and Wellbeing Board but Members of the PDS will most likely also want to be kept informed of our progress in the coming year.
- 3.2.8 A key issue remains the ability of the PRUH to overcome its very considerable challenges. We continue to support it very heavily and have had staff working there case finding every weekend for several weeks now. There is an imperative to discharge patients as rapidly as possible. This results in some patients being discharged very early, typically to intermediate care, a contracted responsibility of Bromley Health Care from the CCG but one which, inevitably, places pressures on care managers where the patients require a social care assessment. These patients may, as a result of their early discharge, have additional unmet social care needs. To its very considerable credit, the CCG has been outstanding in committing itself to covering our additional costs but the reality is that this is bringing more clients to the notice of social care and if they are assessed as having unmet

social needs, and are not self-funding, we must address them. Members can be assured that we are keeping detailed accounts of our activity in this area, and we remain very proud of the fact that there have been a negligible number of delayed discharges as a result of our social care staff. Where there are delays, these may be where a family disputes either our placement decision or, more typically, a costs determination.

- 3.2.9 The full year effects relate to pressures staff have worked hard to contain all year. These are particularly significant within Assessment and Care Management and reflect the increasing complexities of those we support, as well as the fact that more people with more complex conditions live longer. We see similar pressures but to a lesser extent in both learning disabilities and mental health. Another significant pressure comes from those with no recourse to public funds in children's services where no central government grant is received to offset the costs incurred by the Council. Some considerable focus has been given to managing these pressures down but Members will want to be reassured that this work will continue. Members will also note that there are a number of areas where there are projections of significant underspends which helps reduce the overall pressures.

Education Portfolio

- 3.2.10 Managers in Education continue to control their budgets effectively, and in very challenging circumstances. The appendices give further detail of how costs are being contained. Schools continue to benefit from funding changes which will see more money in schools' budgets in the coming year than ever before.
- 3.2.11 Grant condition changes within Adult Education make it increasingly difficult to manage cost pressures in such a way as to fulfil the grant conditions. A review remains in place to look at the best way forward for this very high quality service, but the nature of our provision may need to change in the coming year to better reflect our local priorities.
- 3.2.12 The implementation of the SEND reforms has gone well and the early work within the national pilot has left us well placed to respond to our new responsibilities. However, it is the case that we have high numbers of students with statements and we should see this number decline through the review process as schools accept greater responsibility for meeting individual needs. We also continue to look across to our partners at the CCG to ensure health needs are fully addressed in all new plans.

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

- 3.3.1 The £594k overspend within Strategic Property Services mainly relates to a shortfall in rental income and includes the projection for investment income which is a shortfall of £835k.
- 3.3.2 The Investment Fund for investment in property (previously part of the Economic Development and Investment Fund), 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 14/15.
- 3.3.3 Four properties (72 - 76, 95, 98, 104 - 108 High Street) along with 145-153 High Street have been purchased to date costing £28.7m. The FYE annual income expected from these properties is £1,669k, resulting in a FYE shortfall of £356k dr. The projected income for 2014/15 is £1,190k resulting in a shortfall of £835k. The full rent contractually payable under the leases is being received and further increases cannot be achieved until future rent reviews become due.

- 3.3.4 A further acquisition is in progress, which if completes successfully, will bring in an annual rental income of £250k which would reduce the FYE from £356k dr to £106k dr.
- 3.3.5 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 Investment Fund and a sum of £990k has been allocated for this purpose.

3.4 Comments from the Director of Environment and Community Services

Environment Portfolio

- 3.4.1 Overall, the controllable budget for the Environment Portfolio is projected to be underspent by £89k.
- 3.4.2 The projected overspend in Waste Services is primarily due to the decline in the tonnage of paper collected and the increase in the tonnage of residual waste collected. Both of these factors are reflected on the national stage and are largely outside our control. A growth bid is included in the latest four year forecast for the full year effect of these variances.
- 3.4.3 The overspend of £418k within Waste Services is more than offset by underspends of Cr £507k across other areas of the portfolio budget.

Renewal and Recreation Portfolio

- 3.4.4 Overall, the controllable budget for the Renewal and Recreation Portfolio is projected to be underspent by £9k.
- 3.4.5 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 and an under spend within staffing has left a balance of £40k. Further savings have now been identified to ensure that the culture budget will be balanced from April 2015 onwards.
- 3.4.6 The full years savings of £300k built into the library budget will not be realised 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.
- 3.4.7 The overspend of £240k within Recreation is more than offset by an underspend of Cr £249k within Planning.

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 been notified of a one off grant of £7k from the Department for Work and Pensions in 2014/15 relating to New Burdens Funding, which will be used to fund additional contract payments from Liberata who will be carrying out the work. This has been allocated to the Resources Portfolio.

- 3.5.3 As part of Localised Pay, Members agreed a merited reward for exceptional performers and a provision of £200k was included in the Central Contingency. This was to reward the performance of employees during 2014/15. A sum of £86k has been drawn down from the Central Contingency fund for expenditure incurred to date.
- 3.5.4 Executive are requested to allocate a sum of £55k from the underspend within the Central Contingency to meet the cost of works that need to be carried out relating to the development at Biggin Hill Airport. The works include a Borough-wide consultation with residents (£30k) and a technical review of the Airport's Noise Action Plan (£25k). There may be other costs associated with assessing the impact of the proposals. Details of Biggin Hill Airport Proposals with any necessary further funding will be reported to a future meeting of the Executive.
- 3.5.5 A report elsewhere on the agenda requests that Executive agree the additional funding of £163k for Deprivation of Liberty Safeguards. This funding will be met from underspends within the Central Contingency.
- 3.5.6 The 2014/15 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 in the year, it would be too early to consider the final variations in the contingency sum. As in previous years any resulting underspends may be utilised to provide one-off funding for the Council's Investment Fund, which is used to generate ongoing income for the Council.

3.6 General Fund Balances

- 3.6.1 The level of general reserves is currently projected to increase by £474k to £20.5m at 31st March 2015. Further details are provided below:

	2014/15 Projected Outturn £'000
General Fund Balance at 1st April 2014	-20,000
Total Variation (para 3.1)	-2,028
Adjustments to Balances:	
Carry forwards (funded from 2013/14 underspends)	1,554
Projected General Fund Balance 31st March 2015	<u>-20,474</u>

3.7 Impact on Future Years

3.7.1 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	2015/16
				Budget	Impact
				£'000	£'000
Care Services Portfolio					
Assessment & Care Management				24,808	1,893
Learning Disabilities - Adult Social Care				5,772	13
Childrens Placements				28,811	180
Adults with Learning Disabilities				24,071	371
Adults with Mental Health Needs				6,349	588
Supporting People				2,006	Cr 189
Information and Early Intervention				1,385	41
Commissioning				3,167	125
					3,022
Education Portfolio					
Adult Education				Cr 601	264
Education Services Grant				Cr 2,732	1,004
					1,268
Resources Portfolio					
Operational Property Services				371	66
Investment Income				Cr 6,356	429
Mayoral				178	Cr 32
					463
Environment Portfolio					
Waste				8,573	743
TOTAL					5,496

3.8 The Schools' Budget

3.8.1 There is currently a projected underspend of £606k 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.

3.9 Interest on Balances

3.9.1 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 still show no real sign of increasing and Capita now expect the Bank of England base rate to begin to rise slowly from the end of 2015. There have been no improvements to counterparty credit ratings, which means that the restrictions to investment opportunities that followed ratings downgrades in recent years have still been in place. However, the increases in the limits for the two part-nationalised banks (Lloyds and RBS) approved by the Council in October, together with higher rates from longer-term deals placed with other local authorities, higher average balances than anticipated and the changes to the Treasury management strategy to include investments in property funds and diversified growth funds (the CCLA property Fund investment has produced returns of around 5.1%), 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 £1.1m above budget.

4 EARMARKED RESERVES

Investment Fund and Growth Fund (formerly Economic Development & Investment Fund)

- 4.1 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 In November, Members approved 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. The Economic Development & Investment Fund will be renamed the Investment Fund and the residual balance will mainly be used on property acquisitions generating a revenue income stream in excess of treasury management returns.

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. An update on Invest to Save schemes was submitted to the Executive on 14th January 2015.

4.4 Children’s Social Care Recruitment and Retention Strategy

On the 21st January 2015 the Care Services PDS Committee received a report on the recruitment and retention strategy for children’s social care recommending that the scheme be extended for the 2015/16 and 2016/17 financial years. There continues to be a key shortage within this area in local government and competition to attract the best of a scarce resource remains high.

The strategy as in previous years, will be funded from monies remaining in the LAA reward grant earmarked reserve. There is sufficient funding to pay for the strategy until the end of the 2016/17 financial year. After this time the strategy and the funding will have to be reconsidered.

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. 2014/15 Budget Monitoring file held by Technical and Control Finance Section.