

**Decision Maker:** EXECUTIVE

**Date:** 15<sup>th</sup> July 2015

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

**Title:** BUDGET MONITORING 2015/16

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**Chief Officer:** Director of Finance

**Ward:** All Wards

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**1. Reason for report**

- 1.1. This report provides the first budget monitoring position for 2015/16 based on expenditure and activity levels up to the end of May 2015. 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 £614k is forecast based on information as at May 2015;
- (c) consider the comments from the Education, Care and Health Services Department, 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) note that a report elsewhere on the agenda requests drawdown of £213k funding from Central Contingency relating to the Flooding and Water Act 2010 as detailed in para 3.5.2;
- (e) agree the release of £326k from Central Contingency for the additional costs of Concessionary Fares as detailed in para 3.5.3;

- (f) agree the release of £60k from the Central Contingency for the additional pension costs of LBB staff that transferred to Liberata and The Landscape Group as detailed in para 3.5.4;
- (g) note the carry forwards being requested for drawdown as detailed in section 3.6;
- (h) note a projected reduction to the General Fund balance of £2.3m as detailed in section 3.7;
- (i) note the full year costs pressures of £1.2m as detailed in section 3.8;
- (j) 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: Not Applicable
  3. Budget head/performance centre: Council Wide
  4. Total current budget for this head: £204.0m
  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): 3,218 (per 2015/16 Budget), which includes 1,356 for delegated budgets to schools.
  2. If from existing staff resources, number of staff hours: Not Applicable
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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 2015/16 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:

### 3. COMMENTARY

#### 3.1. Summary of variations

- 3.1.1. The Resources Portfolio Plan included the target that each service department will spend within its own budget.
- 3.1.2. Current projections show an overall net overspend of £614k on portfolio budgets, and £3k underspend on central items.
- 3.1.3. A summary of the overall 2015/16 Budget and the Projected Outturn is shown in the table below:

Portfolio	2015/16 Original Budget £'000	2015/16 Latest Budget £'000	2015/16 Projected Outturn £'000	2015/16 Variation £'000
Care Services	102,794	102,819	102,385	Cr 434
Education	5,124	5,211	5,679	468
Environment	32,095	32,999	33,403	404
Public Protection & Safety	2,120	2,120	2,120	0
Renewal & Recreation	9,214	9,289	9,259	Cr 30
Resources	37,869	38,847	39,053	206
<b>Total Controllable Budgets</b>	<b>189,216</b>	<b>191,285</b>	<b>191,899</b>	<b>614</b>
Capital Charges and Insurance	20,980	20,980	20,980	0
Non General Fund Recharges	Cr 793	Cr 793	Cr 793	0
<b>Total Portfolio Budgets</b>	<b>20,187</b>	<b>20,187</b>	<b>20,187</b>	<b>0</b>
Contingency Provision	14,003	13,604	13,601	Cr 3
Interest on General Fund Balances	Cr 2,741	Cr 2,741	Cr 2,741	0
Other Central Items	Cr 16,835	Cr 16,835	Cr 16,835	0
General Government Grants	Cr 72,629	Cr 72,629	Cr 72,629	0
Collection Fund Surplus	Cr 2,300	Cr 2,300	Cr 2,300	0
<b>Total Central Items</b>	<b>Cr 80,502</b>	<b>Cr 80,901</b>	<b>Cr 80,904</b>	<b>Cr 3</b>
<b>Total Variation</b>	<b>128,901</b>	<b>130,571</b>	<b>131,182</b>	<b>611</b>

- 3.1.4. A detailed breakdown of the Latest Approved Budgets and Projected Outturn for each Portfolio, together with an analysis of variations, is shown in Appendix 2.

#### 3.2. Comments from the Education, Care and Health Services Department

##### Care Services Portfolio

- 3.2.1. Overall the current outlook in the Care Services Portfolio is positive with a £435k underspend predicted for the financial year. Additional costs of placements in older people and children's services are being offset by staffing vacancies and placements in learning disabilities and mental health services. Containing costs has proved a challenge, particularly in our older people's services.
- 3.2.2. In the coming year, the new 'front door' arrangement will continue to contain and we expect divert residents early from our statutory services giving individuals more control over their lives. Commissioning activity continues to secure value for money in placements and makes a significant contribution to ameliorating some of the pressures.

- 3.2.3. Housing continues to exert very considerable pressures on our budgets and although funding has been set aside in the Central Contingency, numbers continue to rise, so it is important that Manorfields comes on stream at the earliest opportunity to help control these pressures.
- 3.2.4. Children's Social Care continues to see pressures from No Recourse to Public Funds.
- 3.2.5. The Department will continue to closely monitor its activities in order to at least balance the budget in year and look to future years where the funding will become an even greater challenge.

### **Education Portfolio**

- 3.2.6. It should be noted that the projected overspend of £468k includes the sum of £382k for Adult Education. A report is due to go to the July PDS which focuses on the council's core responsibilities in this area and proposes a solution to the overspend.
- 3.2.7. Managers of statutory services continue to oversee their budgets very effectively and indeed these areas are predicting a slight underspend rather than overspend.

### **3.3. Comments from the Executive Director of Environment and Community Services (Environment Portfolio)**

- 3.3.1. Overall, the controllable budget for the Environment Portfolio is projected to be over spent by £404k.
- 3.3.2. The projected overspend of £100k in Waste Services, is in line with what was reported to the Portfolio Holder when the proposal for the changes to the paper collection service was recommended. The savings in future years will be £500k, £250k more than the saving currently built into the 2015/16 budget. This overspend is partly offset by the savings from the closure of the public conveniences and additional off street parking income.
- 3.3.3. The effect of the legislation changes for parking enforcement by CCTV is a projected deficit of £856k. This is partly offset by additional off-street parking income and one-off bus lane enforcement income. Parking officers are reviewing the camera enforcement service with a view to preparing options for the future of the service as well as calculating what is required from the £1m held in the Central Contingency.
- 3.3.4. The Environment Portfolio budget is expected to be balanced for future years.

### **3.4. Comments from the Director of Transformation and Regeneration (Resources Portfolio)**

- 3.4.1. The £409k overspend within Strategic Property Services mainly relates to a shortfall in rental income and includes the projection for properties financed by the Investment Fund for which a shortfall of £649k is currently projected.
- 3.4.2. The 2015/16 Budget includes an income target of £3m and to date properties purchased will achieve revenue income of £2.4m, resulting in a shortfall of £649k. A number of further acquisitions are being considered, and the aim is to buy properties which will achieve the budgeted target for this year and next year. The full rent contractually payable under the leases is being received and further rent increases cannot be applied until rent reviews become due.

### 3.5. Central Contingency Sum

- 3.5.1. Details of the allocations from and variations in the 2015/16 Central Contingency are included in Appendix 3.
- 3.5.2. As detailed in a report elsewhere on the agenda, it is the Council's fourth year as a Lead Local Flood Authority and funding of £213k 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 of this money held in the Central Contingency.
- 3.5.3. Concessionary Fares are administered by London Councils on behalf of the London Boroughs. A change in the apportionment of Concessionary Fares between Boroughs is being implemented over three years, commencing in 2014/15, as a result of updated data becoming available. The change in apportionment has a significant impact for LBB. Provision was made for this in the 2015/16 Central Contingency pending details being provided by London Councils. Provision of £10,540k was made in the Chief Executive's budget and £326k in the central contingency for the change in apportionment. Members are requested to approve the draw-down of the £326k from the central contingency.
- 3.5.4. During 2014/15, the HR and Finance Statutory Schools, Financial Assessments and Appointeeship & Deputyship teams were outsourced to Liberata. This resulted in the transferred staff remaining in the LBB pension through Liberata's Admitted Body status. 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 the actuary at an additional cost to Bromley of £37k. Similarly, the increased costs relating to the Parks staff who transferred to The Landscape Group is £23k. Members are requested to approve the draw-down of £60k from the central contingency to cover these two amounts.

### 3.6. Carry forwards from 2014/15 to 2015/16

- 3.6.1. At its meeting on 10<sup>th</sup> June, Executive approved the carry forward to 2015/16 of £1,186k underspend in 2014/15. Additionally £484k was approved under delegated authority, bringing the total carried forward to £1,670k. The carry forwards were allocated to Central Contingency, to be drawn down on the approval of the relevant Portfolio Holder.
- 3.6.2. The carry forwards being requested this cycle are summarised in the table below and details will be reported to the relevant PDS Committee:

	<b>Carry Forward Requests £'000s</b>
Renewal & Recreation	100
Public Protection & Safety	27
Resources	200
Environment	618
Education	151
Care Services	1,217
<b>Total Expenditure</b>	<b>2,313</b>
Contribution from Government Grants reserve Cr	1,327
<b>Total net carry forwards requested for drawdown this cycle</b>	<b>986</b>

### 3.7. 0General Fund Balances

3.7.1. The level of general reserves is currently projected to reduce by £2.3m to £17.7m at 31<sup>st</sup> March 2016 as detailed below:

	<b>2015/16 Projected Outturn £'000</b>
<b>General Fund Balance as at 1st April 2015</b>	<b>Cr 20,000</b>
Total net variation on Services and Central Items (section 3.1)	611
Carry forwards (funded from 2014/15 underspends) (para 3.6.1)	1,670
<b>General Fund Balance as at 31st March 2016</b>	<b><u>Cr 17,719</u></b>

### 3.8. Impact on Future Years

3.8.1. 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:

	<b>2015/16 Budget £'000</b>		<b>2016/17 Impact £'000</b>
<b>Care Services Portfolio</b>			
Assessment & Care Management	19,528		121
Learning Disabilities Care Management	2,652	Cr	83
Supporting People	1,413	Cr	40
Children's Placements	14,286		42
Adults with Learning Difficulties	24,595		397
Mental Health Services	6,233	Cr	196
			<u><b>241</b></u>
<b>Education Portfolio</b>			
Adult Education	Cr 601		382
Schools & Early Years Commissioning & QA	396	Cr	120
Education Services Grant	Cr 2,128		159
			<u><b>421</b></u>
<b>Environment Portfolio</b>			
Waste	1,986	Cr	250
Parking	Cr 6,696		800
			<u><b>550</b></u>
<b>Resources Portfolio</b>			
Operational Property - planned	375		152
Investment & Non-Operational Property	390	Cr	168
			<u><b>Cr 16</b></u>
<b>TOTAL</b>			<u><u><b>1,196</b></u></u>

3.8.2. Given the significant financial savings that the council will need to make over the next four years, it is important that all future cost pressures are contained and that savings are identified early to mitigate these pressures.

3.8.3. Further details including action to be taken to contain these pressures are included in Appendix 4.

### 3.9. Interest on Balances

3.9.1. There have been no improvements to counterparty credit ratings, as a result of which the restrictions to investment opportunities that followed rating downgrades in recent years are still 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 the anticipation of continued strong performance by the CCLA Property Fund and the Diversified Growth Fund investments have enabled the 2015/16 budget to be increased from £1,591k in 2014/15 to £2,741k in 2015/16. At this early stage in the year, it is estimated that the 2015/16 budget for interest earnings will be achieved.

### 3.10. The Schools Budget

3.10.1. Expenditure on Schools is funded through the Dedicated Schools Grant (DSG) provided for by the Department for Education (DfE). DSG is ring fenced and can only be applied to meet expenditure properly included in the schools budget. Any overspend or underspend must be carried forward to the following years Schools Budget.

3.10.2. There is a total projected overspend of £774k on DSG funded services, which will be set against the £9.9m carried forward from 2014/15. Details of the 2015/16 monitoring of the School's Budget will be reported to the Education Portfolio Holder.

### 3.11. Investment Fund

3.11.1. Full details of the current position on the Investment Fund and the Growth Fund are included in the Capital Programme Monitoring report elsewhere on the agenda. The uncommitted balances currently stand at £27.6m on the Investment Fund and £7.0m on the Growth Fund.

## 4. POLICY IMPLICATIONS

4.1. "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.

4.2. The "2015/16 Council Tax" report highlighted the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2015/16 to minimise the risk of compounding financial pressures in future years.

4.3. Chief Officer's comments are included in sections 3.2, 3.3 and 3.4.

## 5. FINANCIAL IMPLICATIONS

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

<b>Non-Applicable Sections:</b>	Legal Implications Personnel Implications
Background Documents: (Access via Contact Officer)	Financial Management Budget Monitoring files across all Portfolios Provisional final Accounts - Executive 10 <sup>th</sup> June 2015 2015/16 Council Tax – Executive 11 <sup>th</sup> February 2015 Draft 2015/16 Budget and Update on Council's Financial strategy 2016/17 to 2018/19 - Executive 14 <sup>th</sup> January 2015