

Decision Maker: Executive

Date: 2nd December 2015

Decision Type: Non-Urgent Executive Non-Key

Title: BUDGET MONITORING 2015/16

Contact Officer: James Mullender, Finance Manager
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Chief Officer: Director of Finance

Ward: (All Wards);

1. Reason for report

- 1.1. This report provides the second budget monitoring position for 2015/16 based on general expenditure and activity levels up to the end of August 2015, with more up-to-date projections included for key or volatile budgets. 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 underspend on services of £1,711k is forecast;
- (c) consider the comments from the Education, Care and Health Services Department as detailed in section 3.2;
- (d) agree the release of £112k from Central Contingency for the additional costs of Concessionary Fares as detailed in para 3.3.2;
- (e) agree the drawdown of £1.9m grant funding in Central Contingency for the additional costs of commissioning Health visiting which has transferred to Public Health as detailed in para 3.3.3;

- (f) agree the drawdown of £97k grant funding in Central Contingency for Individual Electoral Registration as detailed in para 3.3.4;**
- (g) agree the drawdown of £526k grant funding in Central Contingency for Independent Living Fund as detailed in para 3.3.5;**
- (h) agree the drawdown of £112k grant funding in Central Contingency for Smartphone Counter Fraud App as detailed in para 3.3.6;**
- (i) note that reports elsewhere on the agenda request the drawdown of a total of £1,972k from Central Contingency as detailed in paras 3.3.7 - 3.3.11;**
- (j) agree the supplementary estimate of £382k for Adult Education as detailed in para 3.3.12, funded from underspends within Central Contingency;**
- (k) note the Prior Year Adjustments totalling £1,109k as detailed in section 3.5;**
- (l) note a projected increase to the General Fund balance of £382k as detailed in section 3.6;**
- (m) note the full year effect of £2.6m underspend as detailed in section 3.7;**
- (n) recommend to Council that £6.5m of the underspend on services and the Central Contingency be transferred to the Growth Fund as detailed in para 3.10.3;**
- (o) note that the additional £141k funding relating to the New Homes Bonus has been transferred to the Investment Fund earmarked reserve as detailed in para 3.11.1;**
- (p) 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 current projected outturn for 2015/16 is a total net underspend £2,052k, comprising £1,711k underspend on portfolio budgets, and £341k underspend on central items and general grants.

3.1.2. 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	103,457	101,834	Cr 1,623
Education	5,124	5,593	6,122	529
Environment	32,095	33,105	32,959	Cr 146
Public Protection & Safety	2,120	2,120	2,100	Cr 20
Renewal & Recreation	9,214	9,395	9,260	Cr 135
Resources	37,869	39,339	39,023	Cr 316
Total Controllable Budgets	189,216	193,009	191,298	Cr 1,711
Capital Charges and Insurance	20,980	20,980	20,980	0
Non General Fund Recharges	Cr 793	Cr 793	Cr 793	0
Total Portfolio Budgets	20,187	20,187	20,187	0
Contingency Provision	14,003	11,880	6,748	Cr 5,132
Interest on General Fund Balances	Cr 2,741	Cr 2,741	Cr 3,341	Cr 600
Other Central Items	Cr 16,835	Cr 16,835	Cr 10,194	6,641
Prior Year Adjustments	0	0	Cr 1,109	Cr 1,109
General Government Grants	Cr 72,629	Cr 72,629	Cr 72,770	Cr 141
Collection Fund Surplus	Cr 2,300	Cr 2,300	Cr 2,300	0
Total Central Items	Cr 80,502	Cr 82,625	Cr 82,966	Cr 341
Total Variation	128,901	130,571	128,519	Cr 2,052

3.1.3. 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 £1,623k controllable budget 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. 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 covered by contingencies following the very early recognition of these pressures, Members will note that we are not predicting any significant changes in pressures from those seeking

temporary accommodation and 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 and increases in Special Guardianship Orders.
- 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. The SEN and Inclusion team are looking at long term strategic opportunities to reduce the expenditure on SEN transport. The main focus is on ensuring that more children are placed in borough and so reducing significant journey costs. In addition travel training is having some impact and the use of muster points is currently being trialled.
- 3.2.7. The Youth Services full year savings of £506k for 2015/16 was not achievable due to the requirement to undertake a restructure of the service and consult with staff. The consultation is now complete and the new structure is in place, with a projected full year effect of £40k overspend in 2016/17. There is also a projected overspend in the Youth Offending Team; as a consequence of the outcome of the recent HMIP inspection, it has been necessary to delay the planned restructure of the service and employ additional staff. In addition there have been in year savings made to the Youth Justice Grant by the Ministry of Justice. The review of the existing service and interim measures required to address immediate operational delivery requirements will result in an overspend of £88k. Every effort will be made to reduce the overspends.

3.3. Central Contingency Sum

- 3.3.1. Details of the allocations from and variations in the 2015/16 Central Contingency are included in Appendix 3.
- 3.3.2. 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, which was approved for draw-down by Executive on 15th July 2015. The final cost is now known to be £10,996k, so Executive are requested to approve a further drawdown of £112k.
- 3.3.3. From October 2015, responsibility for commissioning of Health visiting passed from NHS Health England to Public Health in the Local Authority. The annual value for this service is £3.8m in 2016/17. £1.901m has been transferred for the part-year effect in 2015/16 and is held in contingency. The Health Visiting service specification has been developed nationally and is mandated in five key areas (antenatal health promoting reviews, new baby reviews, six to eight week assessments, one year assessments, and two to two and a half year reviews) by the Department of Health. The service is currently tied up in a block contract with Bromley Healthcare which has been novated over to the Local Authority. The funding is ring-fenced for Public Health services. It is requested that the £1.901m be released from Central Contingency to cover the £1.901m contract that has transferred.

- 3.3.4. For the third and final year, government has allocated grant funding for the additional costs/burdens of the transition to Individual Electoral Registration, with Bromley receiving £97k. Executive are requested to agree the drawdown of this funding to be used for the additional costs of printing, postage and despatch of the numerous forms and letters that are required to be sent.
- 3.3.5. The Independent Living Fund (ILF) was a central government fund established to provide services to disabled people with high care needs to enable them to remain living independently in the community. The fund was managed by the Department of Work and Pensions (DWP) but on the 30th June 2015 the fund closed and the responsibility was devolved to the Local Authority. Funding was transferred for each individual user of the fund. The funding is not ring-fenced but as the clients are transferred so are the costs. The total funding for Bromley amounted to £526k for 2015/16 and it is requested that this be released from Central Contingency in 2015/16 to reflect these changes in responsibility. Future allocations will be given on a case by case basis and will have to be bid for. It is assumed at this stage to be cost neutral.
- 3.3.6. Special funding was made available by DCLG for innovative bids to fight fraud, with Bromley putting in a bid (as lead borough) to develop and launch a mobile phone fraud app with 38 boroughs signing up. The bid was successful with total funding of £200k - £5k per borough plus an admin fee of £10k to oversee the process. It is requested that the £112k in the Central Contingency be released to fund the expenditure remaining in 2015/16.
- 3.3.7. The Tackling Troubled Families grant is to fund the development of an ongoing programme to support families who have multi-faceted problems including involvement in crime and anti-social behaviour with children not in education, training or employment. This support is delivered through a number of work streams cross cutting across council departments and agencies. £226k has already been previously approved and drawn down for 2015/16 and a further £661k is requested for draw down elsewhere on the agenda to continue the project and its commitments in the current financial year.
- 3.3.8. There continues to be a significant gap between the need for Housing that is affordable and the available supply of both social housing and affordable rented accommodation. Over the last five years the rent that we are effectively able to charge, in terms of what is considered reasonable, has been frozen and the housing allowance has been reduced. Rising costs of rents and the effect of the welfare reform have seen the number of homeless approaches to Bromley increase. There are now just under 1,100 households in temporary accommodation. Bromley has anticipated this and set aside £1.1m in 2015/16 to cover any cost pressures arising from homelessness. £649k is being requested elsewhere on the agenda to offset the pressures in the division.
- 3.3.9. A report elsewhere on this agenda is seeking to use £106k from the 2015/16 underspend in the Central Contingency to jointly fund the development work to RIBA Stage 4 of a capital scheme for a Biggin Hill Memorial Museum.
- 3.3.10. A sum of £1m is included within Central Contingency for Parking Enforcement. A report elsewhere on the agenda requests that a sum of £306k be released from this for the purchase and installation (through the ESPO Security and surveillance equipment & services Framework) of five automated cameras for enforcement at schools and ten automated cameras to undertake Bus Lane enforcement. The balance of £694k is not required, which has been reflected in current projections.
- 3.3.11. Other reports elsewhere on the agenda request that £200k be drawn down from underspends in Central Contingency for the costs of legal and actuarial advice relating to a Pensions

Investment Proposal, and £50k for the cost of legal advice relating to Residential Property Acquisitions.

3.3.12. As Members will be aware, the Adult Education service has been subject to significant reductions in the grant received from the Skills Funding Agency over the past few years (£724k since 2010/11). The service was restructured in 2012/13, and has since made several other changes to help contain the impact of this reduction, such as keeping back office posts vacant, reducing caretaking and cleaning staff hours, reducing the printing and distribution of the prospectus, and the closure of Poverest nursery. As a result the current projection is for a £382k overspend in 2015/16. Officers will soon be consulting on a further proposed restructure which would be implemented from September 2016 which would reduce the overspend to around £200k in a full year; however further grant reductions are expected for the 2016/17 and 2017/18 academic years. As all action has been taken to reduce this in-year, following the Education Budget Sub-Committee meeting on 20th October 2015, the Portfolio Holder for Education has requested that Executive approve a supplementary estimate of £382k funded from underspends within Central Contingency. In the event that any restructure or other measures are able to reduce the need for this full amount in future years, the surplus will be returned to the Central Contingency.

3.4. Carry forwards from 2014/15 to 2015/16

3.4.1. At its meeting on 10th June, Executive approved the carry forward to 2015/16 of £1,186k underspend in 2014/15, to be allocated to contingency and drawn-down on the approval of the relevant Portfolio Holder, with £786k approved for draw-down to date. Additionally £484k was approved under delegated authority, bringing the total carried forward to £1,670k.

3.5. Prior Year Adjustments resulting in a Credit Provision in the Accounts of £1,109k

3.5.1. At the end of 2014/15 provision was made for a potential loss of Housing Benefit subsidy for Local Authority errors and administrative delay overpayments. This element of subsidy is based on the value of errors above a set threshold and it is prudent to allow for a reduction in subsidy as a result of any errors that might be picked up and extrapolated as part of the audit of the final subsidy claim and result in lower subsidy levels. The claim has now been audited, and the provision of £459k can now be released.

3.5.2. A provision for termination costs relating to a transferred service has been held for some years now against the possibility of potential claims for redundancy, legal costs, compensation, etc at the ceasing of the contract. The likelihood is getting smaller that there will be any come back on this. It is proposed that £300k now be released as it will not be used.

3.5.3. Although there is some evidence of some additional unknown Learning Disabilities and Mental Health clients coming through it is not on the same levels as previously seen. It is therefore proposed to reduce the provisions by £200k and £150k respectively to reflect this.

3.6. General Fund Balances

3.6.1. The level of general reserves is currently projected to increase by £382k to £20.4m at 31st March 2016 as detailed below:

	2015/16 Projected Outturn £'000
General Fund Balance as at 1st April 2015	Cr 20,000
Total net variation on Services and Central Items (section 3.1)	Cr 2,052
Carry forwards (funded from 2014/15 underspends) (para 3.4.1)	<u>1,670</u>
General Fund Balance as at 31st March 2016	<u>Cr 20,382</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:

	2015/16 Budget £'000		2016/17 Impact £'000
Care Services Portfolio			
Assessment & Care Management	19,545	Cr	192
Learning Disabilities Care Management	2,676		136
Learning Disabilities Placements	24,578		97
Children's Placements	27,887		128
Public Health	Cr 372	Cr	495
Savings achieved early			<u>Cr 1,623</u>
			<u>Cr 1,949</u>
Education Portfolio			
Bromley Youth Support Programme	1,549		40
Blenheim & Community Vision Nurseries	0	Cr	74
Education Services Grant	Cr 2,128		<u>178</u>
			<u>144</u>
Environment Portfolio			
Markets	Cr 2	Cr	40
Waste	18,282	Cr	260
Highways (incl London Permit Scheme)	7,169		80
Parking	Cr 6,708	Cr	30
			<u>Cr 250</u>
Resources Portfolio			
Operational Property - planned	375		175
Customer Services	937		36
Investment & Non-Operational Property	390	Cr	185
Investment Income	Cr 7,393	Cr	544
			<u>Cr 518</u>
TOTAL			<u>Cr 2,573</u>

3.7.2. 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.

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

3.8. Interest on Balances

3.8.1. There is still no real sign of interest rates improving and an average rate of 1% has again been prudently assumed for interest on new fixed term deposits (lending to banks and other local authorities) in the 2015/16 revenue budget, in line with the estimates provided by the Council's external treasury advisers, Capita, and with officers' views. The Bank of England

base rate is still expected to rise, but the expected start of the rise has been put back to mid-2016 and could be even later. There have been no improvements to counterparty credit ratings, as a result of which the restrictions to investment opportunities that followed ratings downgrades in recent years have still been in place. However, the Council has been able to benefit from the increases in the limits for the two part-nationalised banks (Lloyds and RBS) approved by the Council in October 2014, higher rates from longer-term deals placed with other local authorities, higher average balances than anticipated and the strong performance of the CCLA Property Fund and it is currently forecast that the 2015/16 outturn will be around £3.35m compared to the budget of £2.74m; i.e. a surplus of £0.6m.

3.9. The Schools Budget

- 3.9.1. 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.
- 3.9.2. There is a total projected underspend of £75k on DSG funded services, which will be added to 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.

3.10. Growth Fund

- 3.10.1. A key priority for the Council is economic development and inward investment which was reflected in the Local Plan report to Executive in February 2013. Supporting economic growth, new investment creates employment opportunities, potentially reduces the cost of council tax support and generates income through business rates, new homes bonus and other investment opportunities.
- 3.10.2. Members have previously approved the allocation of £10m to be ring-fenced for investments which support growth in Biggin Hill area (£3.5m), Cray Corridor (£3.5m) and Bromley Town Centre (£3m). There are further opportunities to support economic development and on 5th October the Chancellor set out plans to full devolve 100% of business rates to local government (includes GLA for London) by 2020. Although this change is expected to be cost neutral it will provide an opportunity to generate additional income through the uplift in business rate income arising from economic growth as the Council will retain a higher share of business rates. Generating additional income will be more critical as the Council will lose core government funding in the future.
- 3.10.3. It is therefore proposed to increase the one off funding available in the growth fund by a further £6.5m to be met from monies not required in the current year from the Council's 2015/16 Central Contingency Sum and underspends in other areas.
- 3.10.4. The setting aside of this additional funding will also require the approval of Council.
- 3.10.5. Any future release of these monies will be subject to a detailed report to Members for their approval.

3.11. Investment Fund

- 3.11.1. As it's meeting on 14th January 2015, Executive agreed that the New Homes Bonus be set aside to provide additional funding for the Council's Investment Fund. At the time this was estimated to be £4,400k. Since then this has been confirmed to be £4,541k, and Executive are asked to note that the additional £141k has also been added to the Investment Fund.

3.11.2. Full details of the current position on the Investment Fund are included in the Capital Programme Monitoring report elsewhere on the agenda.

3.12. Section 106

3.12.1. An update on Section 106 balances as at 31st August 2015 is included in Appendix 5. Further details on the arrangements for utilising Section 106 monies are provided in the “Capital Programme Monitoring – 2nd Quarter 2015/16” and “Update on Section 106 Contributions for Education” reports elsewhere on this agenda.

4. POLICY IMPLICATIONS

4.1. The “Building a Better Bromley” objective of being an Excellent Council refers to the Council’s intention to provide efficient services and to have a financial strategy that focuses on stewardship and sustainability. Delivering Value for Money is one of the Corporate Operating Principles supporting Building a Better Bromley.

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 section 3.2.

5. FINANCIAL IMPLICATIONS

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

Non-Applicable Sections:	Legal Implications Personnel Implications
Background Documents: (Access via Contact Officer)	Draw-down of the Homeless Contingency - Executive 2 nd December 2015; Update on Tackling Troubled Families Project - Executive 2 nd December 2015; Impact of Deregulation Act on Parking CCTV - Executive 2 nd December 2015; Update on Residential Property Acquisitions - Executive 2 nd December 2015; Biggin Hill Memorial - Executive 2 nd December 2015; Provisional Final Accounts - Executive 10 th June 2015; 2015/16 Council Tax - Executive 11 th February 2015; Draft 2015/16 Budget and Update on Council’s Financial strategy 2016/17 to 2018/19 - Executive 14 th January 2015; Financial Management Budget Monitoring files across all Portfolios.