

Decision Maker: Executive

Date: 23rd March 2016

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 third budget monitoring position for 2015/16 based on general expenditure and activity levels up to the end of December 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 £4,373k is forecast;
- (c) consider the comments from the Education, Care and Health Services Department as detailed in section 3.2;
- (d) note that reports elsewhere on the agenda request the drawdown of a total of £312k from Central Contingency, as well as a carry forward of £123k of underspend to 2016/17 as detailed in paras 3.3.1 and 3.3.2;
- (e) note that a total of £2,598k grant income has been drawn down from Central Contingency as detailed in para 3.3.3;
- (f) note the Prior Year Adjustments totalling £1,006k as detailed in section 3.5;

- (g) note a projected increase to the General Fund balance of £185k as detailed in section 3.6;**
- (h) note the full year effect of £3.9m underspend as detailed in section 3.7;**
- (i) recommend to Council that £6m of the underspend in Central Contingency and services be transferred to the Growth Fund as detailed in para 3.11.3;**
- (j) recommend to Council to set aside £2.8m in an earmarked reserve to cover potential repayment of business rates as detailed in para 3.12.1;**
- (k) agree to set aside a total of £461k from underspends in an earmarked reserve for use during 2016/17 as detailed in section 3.13;**
- (l) 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: £204m
 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 £1,855k, comprising £4,373k underspend on portfolio budgets, and £2,518k overspend 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	100,878	97,232	Cr 3,646
Education	5,124	5,593	5,913	320
Environment	32,095	33,105	32,966	Cr 139
Public Protection & Safety	2,120	2,120	2,085	Cr 35
Renewal & Recreation	9,214	9,395	9,160	Cr 235
Resources	37,869	39,162	38,524	Cr 638
Total Controllable Budgets	189,216	190,253	185,880	Cr 4,373
Capital Charges and Insurance	20,980	20,980	20,980	0
Non General Fund Recharges	Cr 793	Cr 852	Cr 852	0
Total Portfolio Budgets	20,187	20,128	20,128	0
Contingency Provision	14,003	7,445	2,708	Cr 4,737
Interest on General Fund Balances	Cr 2,741	Cr 2,741	Cr 3,741	Cr 1,000
Other Central Items	Cr 16,835	Cr 9,585	Cr 183	9,402
Prior Year Adjustments	0	0	Cr 1,006	Cr 1,006
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 79,810	Cr 77,292	2,518
Total Variation	128,901	130,571	128,716	Cr 1,855

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 £3,646k controllable budget underspend predicted for the financial year. Costs of placements in Adult Social Care are being contained and the budget is benefitting from further underspends in learning disabilities and mental health services. Containing costs continues to prove a challenge across all service areas.

3.2.2. Commissioning activity continues to secure value for money in placements and makes a significant contribution to ameliorating 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.
- 3.2.5. The Department will continue to closely monitor its activities and look to future years where the funding will become an even greater challenge.

Education Portfolio

- 3.2.6. Both officers and members are meeting with politicians and DfE officials in order to explore opportunities for relaxing/changing the criteria for use of DSG. SEN transport and education psychology are the two key areas under discussion. In addition DfE colleagues will be visiting Bromley in the near future to look in detail at the financial impact for the local authority of schools becoming academies.
- 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 £62k overspend in 2016/17. This projected overspend is as a result of unexpected loss of income. Management are working hard to identify new income streams for 2016/17 to address the shortfall. 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 £182k. Every effort will be made to reduce the overspends.

3.3. Central Contingency Sum

- 3.3.1. A drawdown of £132k is being requested elsewhere on the agenda to continue to employ staff to implement the required changes in adoption processes, support increases in adoption and fund special guardianship assessments. The grant for adoption reform activity has now ceased and this is the funding that will fund activity for 2016/17 only. Arrangements will need to be put in place for an exit strategy that does not put an additional burden on council resources going forward.
- 3.3.2. A report elsewhere on the agenda requests the drawdown of £180k SEN Implementation grant funding for 2016/17 from Central Contingency. The report also requests the carry forward to 2016/17 of underspends in the 2015/16 grant allocation totalling £123k.
- 3.3.3. Government provided funding of £1,848k to cover costs of the Care Act during the 2015/16 financial year. In addition, £750k was set aside from the Better Care Fund in 2015/16 to cover costs of the Care Act during the 2015/16 financial year. The Care Act impact has been seen across the piece in ECHS and this grant income has been drawn to cover costs associated with the implementation and development of the Care Act.
- 3.3.4. Due to the significant underspend of over £3.6m in ECHS, of which around £1.7m relates to early achievement of 2016/17 savings, it is assumed that some of the provision for risk and uncertainty along with the Care Act related expenditure in the Central Contingency is no longer required in the current year.
- 3.3.5. A prudent approach was adopted in considering the 2015/16 Central Contingency sum to reflect any inherent risks, the potential impact of any new burdens, population increases or

actions taken by other public bodies which could affect the Council. If the monies are not required then the general policy has been to use these for investment to generate additional income and provide a more sustainable financial position. It is therefore recommended that the underspend on the Central Contingency and service underspends are used to invest in economic growth to help generate additional business rate income as detailed in section 3.11.

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 £1,006k

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 in addition to the provision of £459k which is no longer required as previously reported, DWP has agreed an additional amount of £138k subsidy relating to the classification of overpayments.

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.

3.5.4. Following Skills Funding Agency scrutiny of the 2014/15 Adult Education outturn report submitted in October, notification has been received that there will be a clawback of £122k in 2015/16, mainly related to mandated ESOL funding and 24+ Advanced Learning Loans.

3.5.5. A credit of £225k relates to backdated Council Tax benefits adjustments, which under the new Council Tax Support Scheme does not result in a corresponding loss in subsidy.

3.5.6. There is a charge of £344k relating to a tax liability from previous years. Details are provided in the supplementary material for consideration in part 2 proceedings of the meeting.

3.6. General Fund Balances

3.6.1. The level of general reserves is currently projected to increase by £185k to £20.2m 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 1,855
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 20,185</u>

3.7. Impact on Future Years

3.7.1. The report identifies expenditure variations 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	22,206	Cr	556
Learning Disabilities Care Management	3,758		186
Children's Social Care	27,921		5
Public Health	Cr 372	Cr	199
Savings achieved early			<u>Cr 2,388</u>
			<u>Cr 2,952</u>
Education Portfolio			
Youth Service	1,549		62
Blenheim & Community Vision Nurseries	0	Cr	81
Education Services Grant	Cr 2,128		<u>75</u>
			<u>56</u>
Environment Portfolio			
Markets	Cr 2	Cr	40
Waste	18,082	Cr	270
Highways (incl London Permit Scheme)	7,169		145
Parking	Cr 6,402	Cr	85
			<u>Cr 250</u>
Resources Portfolio			
Operational Property - planned	450		175
Customer Services	937		36
Investment & Non-Operational Property	390	Cr	185
Investment Income	Cr 7,393	Cr	<u>758</u>
			<u>Cr 732</u>
TOTAL			<u>Cr 3,878</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% was 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. Capita now expect the base rate to begin to rise from early in 2017, but this could be later. There have been no

improvements to counterparty credit ratings, as a result of which the restricted investment opportunities that followed downgrades in recent years have still been in place. However, the Council has benefited 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. It is currently forecast that the 2015/16 outturn will be around £3.74m compared to the budget of £2.74m; i.e. a surplus of £1.0m.

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 overspend of £543k on DSG funded services, as detailed in note 6 to Appendix 2B. Further details of the 2015/16 monitoring of the School's Budget will be reported to the Education Portfolio Holder.
- 3.9.3. At the meeting of the Education PDS on 19th January 2016, the Portfolio Holder for Education agreed the allocation of Dedicated Schools Grant funding for 2016/17. Due to considerable budget pressures from bulge classes and the growth in SEN, and despite considerable savings identified within central budgets, the 2016/17 budget required a total of £2.2m additional funding from the underspend carried forward. Along with the £3.5m distributed to schools in 2015/16, £4.8m for the purchase and refurbishment of Beacon House, and £1m growth fund in 2015/16, the accumulated underspend carried forward from previous years has been almost fully spent or committed.

3.10. Special Education Needs Transport

- 3.10.1. In considering the second quarter budget monitoring report, members requested further information on the SEN Transport overspend. Further details are provided in note 4 of appendix 2B.

3.11. Growth Fund

- 3.11.1. 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.
- 3.11.2. 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.

- 3.11.3. It is proposed to increase the one off funding available in the growth fund by a further £6m 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.
- 3.11.4. The setting aside of this additional funding will also require the approval of Council, and any future release of these monies will be subject to a detailed report to Members for their approval.
- 3.11.5. There will be a report to the April meeting of the Executive to reflect the future options for the utilisation of the Growth Fund.

3.12. Business Rates Risk Reserve

- 3.12.1. Executive are requested to recommend that Council approve the transfer of £2.8m from underspends on services and central items in the current financial year to the Business Rates Risk Reserve. Further details are provided in the part 2 element of this report.

3.13. Utilisation of 2015/16 underspends for non-recurring expenditure in 2016/17

- 3.13.1. Should Members agree to enter into the Total Facilities Management contract as recommended elsewhere on the agenda, one-off funding of £309k will be required to meet the costs of mobilisation and due diligence work that will be carried out during a three month period. The works would include asset validation, full condition surveys on key sites and isolated IT costs.
- 3.13.2. In response to the failed HMIP inspection, Bromley recruited and employed an experienced interim Head of Service and seconded a YJB manager to push through the changes necessary to operate the service at the required standards. This has created financial pressure in 2015/16 which will continue in to 2016/17.
- 3.13.3. It is anticipated that the Youth Offending Service (YOS) will be re-inspected by HMIP in 2016/17 – most likely late summer 2016. LBB have been working closely with the YJB to prepare for re-inspection and also to satisfy Ministerial scrutiny that follows failed inspection. This strategy has been effective and after a slow start due to high levels of staff vacancies and our inability to attract good quality staff, the service is now starting to see solid improvements and the Head of Service is reporting that he anticipates a positive re-inspection outcome. To further help prepare for re-inspection, the YJB are conducting a 'mock' inspection in April 2016 by bringing an independent YJB officer team to scrutinise our case work and progress against the YOS Improvement Plan.
- 3.13.4. The service is in the process of being restructured in order to meet budget requirements and to cover the reduction in government grant for the YOS. This is balanced for 2017/18. However, the proposed establishment cannot be achieved in 2016/17 due to the additional costs of employing an Interim Head of Service, the additional half year costs of seconding a manager from the YJB and two additional unqualified posts necessary for this interim period. This amounts to £97k.
- 3.13.5. The Bromley Safeguarding Children's Board (BSCB) is an independent body hosted by Bromley Council. It has a budget which is made up of income from partner agencies and a small income from training. In recent years, despite careful management, expenditure has been greater than income for two to three years and this has resulted in all reserves being used up.
- 3.13.6. Increased expenditure has resulted because of the requirement to quality assure and audit multi-agency practice, additional costs for the provision of performance reports and training

coordination/support and the accumulation of increased costs, duties and inflation over a period of several years.

3.13.7. Member contributions were increased in 2015/16 when the four health agencies increased their contribution, but this is still not sufficient to be able to manage this service within the current funding envelope. The current shortfall for 2016/17 is estimated at £55k.

3.13.8. It is requested that the three amounts detailed above totalling £461k be set aside from underspends in 2015/16 in an Earmarked Reserve for use during 2016/17, to be drawdown on the approval of the relevant Portfolio Holder.

3.14. Section 106

3.14.1. An update on Section 106 balances as at 31st December 2015 is included in Appendix 5. Further details on the arrangements for utilising Section 106 monies was provided in the “Capital Programme Monitoring Q3 2015/16 & annual capital review 2016 to 2020” to Executive on 10th February 2016 and “Section 106 Update” report to E&R PDS on 16th March 2016.

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)	Request for draw down and carry forward of grant funds for SEN reforms – Executive 23 rd March 2016; Adoption Reform grant draw-down – Executive 23 rd March 2016; Commissioning – Proposed Total Facilities Management Contract – Executive 23 rd March 2016; Section 106 Update – E&R PDS 16 th March 2016; Capital Programme Monitoring Q3 2015/16 & annual capital review 2016 to 2020 – Executive 10 th February 2016; 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 Mgt Budget Monitoring files across all Portfolios.