

PART 1 - PUBLIC

Decision Maker: Executive

Date: 19th July 2017

Decision Type: Non-Urgent Executive Non-Key

Title: BUDGET MONITORING 2017/18

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Chief Officer: Director of Finance

Ward: Borough Wide

1. Reason for report

- 1.1 This report provides the first budget monitoring position for 2017/18 based on expenditure and activity levels up to the end of May 2017. 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 £1.623m is forecast based on information as at May 2017;
- (c) consider the comments from the Deputy Chief Executive and Director of Education, Care and Health Services Department and the Director of Corporate Services as detailed in sections 3.2 and 3.3;
- (d) note a projected variation of £0.2m credit from investment income as detailed in sections 3.8 and 3.9
- (e) note the carry forwards being requested for drawdown as detailed in section 3.5;
- (f) note a projected reduction to the General Fund balance of £1.983m as detailed in section 3.6;
- (g) note the full year costs pressures of £4.4m as detailed in section 3.7;

- (h) release £800k from the Earmarked Reserve as per paragraph 3.13**
- (i) release £115k from the 2017/18 Central Contingency as per paragraph 3.2.16**
- (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: N/A
 2. Ongoing costs: Recurring cost.
 3. Budget head/performance centre: Council wide
 4. Total current budget for this head: £206.0m
 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): 2,327 (per 2017/18 Budget), which includes 701 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 2015; 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 2017/18 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

3. Have Ward Councillors been asked for comments? N/A.
4. Summary of Ward Councillors comments: Council wide

3. COMMENTARY

3.1 Summary of Projected Variations

3.1.1 The Resources Portfolio Plan included the target that each service department will spend within its own budget. Current projections show an overall net overspend of £1,623k on portfolio budgets and a £200k credit variation on central items.

3.1.2 A summary of the 2017/18 budget and the projected outturn is shown in the table below:

Portfolio	2017/18	2017/18	2017/18	2017/18
	Original Budget £'000	Latest Budget £'000	Projected Outturn £'000	Variation £'000
Care Services	68,272	69,434	70,424	990
Education & Children's Services (incl. Schools Budget)	37,359	37,474	38,101	627
Environment	29,179	29,299	29,277	Cr 22
Public Protection & Safety	1,963	1,963	2,029	66
Renewal & Recreation	7,693	8,074	8,074	0
Resources	45,265	46,069	46,031	Cr 38
Total Controllable Budgets	189,731	192,313	193,936	1,623
Capital Charges and Insurance	11,244	11,244	11,244	0
Non General Fund Recharges	Cr 730	Cr 730	Cr 730	0
Total Portfolio Budgets	200,245	202,827	204,450	1,623
Contingency Provision	14,957	13,264	13,264	0
Interest on General Fund Balances	Cr 2,891	Cr 2,891	Cr 2,991	Cr 100
Income from Investment Properties	Cr 9,854	Cr 9,854	Cr 9,954	Cr 100
Other Central Items	2,629	2,629	2,629	0
General Government Grants & Retained Business Rates	Cr 55,508	Cr 55,837	Cr 55,837	0
Collection Fund Surplus	Cr 6,401	Cr 6,401	Cr 6,401	0
Total Central Items	Cr 57,068	Cr 59,090	Cr 59,290	Cr 200
Total Variation	143,177	143,737	145,160	1,423

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 Deputy Chief Executive and Executive Director of Education, Care and Health Services Department

Care Services Portfolio

3.2.1 There continues to be pressures in Adult Social Care mainly due to placements, domiciliary care and direct payments. Management action is addressing savings targets although these continue to be a challenge in some areas where demand for services is increasing. A review of all nursing and residential care provision is underway.

3.2.2 Domiciliary Care Packages are continuing to be reviewed. High levels of scrutiny are in place in all cases where there is a request for an increase. A review of domiciliary care packages has also been commissioned.

3.2.3 In addition, we are seeing much more complexity in users' needs as they come through to us later in their journeys. We have much more work to do in reviewing high cost placements, ceiling rates and assessments whilst working to manage parental

expectations within Learning Disabilities. The department will be working to look at other efficiency plans that may require policy change.

- 3.2.4 Commissioning activity continues to secure value for money through contract negotiations making a significant contribution to the savings targets.
- 3.2.5 In Housing there is continued monitoring to ensure that the Mears property acquisition performs in line with the target numbers set. Approval has been given to progress to tender for a modular homes site. The early intervention team is now up and running to slow down the rate of placements. This work is currently bringing the numbers back down to the level of increase previously predicted.
- 3.2.6 However in light of the continued roll out of universal credit and introduction of the Homeless Reduction Act, as previously reported it is expected that numbers will increase further in the new year.
- 3.2.7 On one of the travellers sites we have been in court over the past week to gain a number of eviction orders and have police on standby for the evictions as we need to clear out a number of unauthorised occupants.
- 3.2.8 Work is being undertaken, led by the Deputy Chief Executive and Executive Director of ECH&S and an action plan has been developed working on a multi-agency basis to resolve the issues. However analysis is currently being undertaken regarding options for refurbishment of the site to install metered utilities and address a number of repairing issues to enable full utilisation of all pitches and reduce ongoing maintenance costs. The full business case will be reported back once this work has been completed.

Education & Children's Services

- 3.2.9 In Children's Social care we are continuing to interview permanent staff and the ambition is by September we will have around 10% locum staff in place and others permanent - this drive is through Permanent Social Workers and Newly Qualified Social Workers who will join the Authority in September. There continues to be a recruitment drive through June and July and locum cover is being managed to limit their use where possible.
- 3.2.10 In Leaving Care the 18+ panel has been established to consider the cost of placements for this age group; Housing are sitting on this panel to ensure benefits are claimed. This will reduce the current overspend ensuring that Housing Benefit is claimed when appropriate. There is a framework around providers through the housing action plan and commissioning; assessing late entrants through the MASH and in cooperation with housing assessments and Family Group Conferencing. The on stream beds with De Paul which can take 16+ for 8 weeks for assessment are preventing young people going outside the borough.
- 3.2.11 Staying Put is an area of growth and this will need to be considered in base budgets in future as we track the numbers coming through. There have been no predictions for this in the past as growth area.
- 3.2.12 We continue to monitor placements through Panel. The number of challenging Young People and their complexity has been a challenge for the service. We will be looking at obtaining discounts with the Independent Foster Agencies (IFA's) we use. This is being taken forward by Commissioning.

- 3.2.13 We have received some additional CCG funding. We continue to review the contribution ongoing of CCG. This is an area of concentrated challenge. We need to increase our pool of foster carers, recruitment has been poor and we need further negotiation with IFA's. This will be negotiation with providers on cost but also what they are providing. A monitoring officer has been appointed and this will ensure that they are visiting providers and challenging the services given.
- 3.2.14 The majority of Education DSG funded budgets come from the high needs block and overall are showing an underspend. Where overspends have been identified these have been covered off by underspends in other areas where possible.
- 3.2.15 The current root and branch review of the high needs block should help us to ensure that we are not having to manage significant overspends or underspends at the end of the financial year. However, it must be remembered that some of the budgets, particularly SEN transport and placements, are 'on demand' budgets which cannot always be accurately forecast.
- 3.2.16 There is a requirement for all existing statement of special educational needs (SEN) plans to be transferred to the new ECHP plan by 31 March 2018. Additional budget of £115,000 is required to enable the SEN Team bring in additional staff to complete these assessments in order to meet our statutory obligations and duties.
- 3.2.17 The Deputy Chief Executive received a formal letter from the Department of Education seeking assurances that we will meet the key target date of 31 March 2018. A formal letter was also received by the Bromley Parents Forum seeking assurances that these plans will be transferred by the stipulated deadline.

3.3 Comments from the Director of Corporate Services (Resources Portfolio)

- 3.3.1 In 16/17 legal expenses including primarily Counsel's fees were overspent by £194k. This arose because of a significant increase in legal caseload following the Ofsted Inspection. The usual caseload in previous years was c48 cases per annum. For the year 16/17 case load more than doubled to 99 cases. Increased use of counsel was made as the most expeditious and cost effective way of addressing the need for legal representation and also to address requests from the Judiciary that certain cases were dealt with by experienced advocates. It is anticipated that case volumes for 17/18 will remain above previous levels. 12 new cases were commenced in April and May – and it is anticipated that c80 child care cases are likely to be started this financial year. The Council has been successful in making three high quality appointments to its Children Services legal team. This includes an additional post funded through the Phase 3 Plan for Children's services improvement. All three are experienced advocates and will as they settle into the service reduce reliance on external counsel for advocacy/court work. However it remains difficult to predict costs with accuracy and even with one additional lawyer the significant increase in case load will still require greater use of counsel than in previous years. In 16/17 some of the costs associated with the overspend were offset by additional income generated elsewhere in the team and there is a reasonable prospect this may happen again.
- 3.3.2 In addition to child care cases, the overspend also includes Court of Protection, Adult Safeguarding and 18+ transition cases. Given the volatility of case load it is considered prudent to assume an overspend of £97k .

3.4 Central Contingency Sum

- 3.4.1 Details of the allocations from and variations in the 2017/18 Central Contingency are included in Appendix 3.
- 3.4.2 A prudent approach was adopted in considering the 2017/18 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 growth, investment and economic development to generate additional income and provide a more sustainable financial position.

3.5 Carry Forwards from 2016/17 to 2017/18

- 3.5.1 On 20th June 2017 Executive approved the carry forward of 2016/17 underspends totalling £447k (net) subject to the funding being allocated to the Central Contingency to be drawn down on the approval of the relevant Portfolio Holder. In addition, £113k relating to the Council's repairs and maintenance budgets was carried forward as agreed by Executive on 22nd March 2017.
- 3.5.2 The carry forwards being requested to be drawn down this cycle are summarised in the table below and details will be reported to the relevant PDS Committee prior to this meeting. The figures contained in this report assume that these requests will be agreed:

	£'000s
Renewal & Recreation	397
Education & Children's Services	197
Resources	436
Environment	120
Care Services	513
Total Expenditure	1,663
Government Grant Income	Cr 1,216
Total net carry forwards requested for drawdown this cycle	447

3.6 General Fund Balances

- 3.6.1 The level of general reserves is currently projected to reduce by £1.983m to £18.017m at 31st March 2018 as detailed below:

	2017/18 Projected Outturn £'000
General Fund Balance as at 1st April 2017	Cr 20,000
Net Variations on Services & Central Items (para 3.1)	1,423
Adjustments to Balances:	
Carry Forwards (funded from underspends in 2016/17)	560
General Fund Balance as at 31st March 2018	Cr 18,017

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:

	2017/18 Budget £'000	2018/19 Impact £'000
Care Services Portfolio		
Assessment & Care Management - Care Placements	19,659	1,225
Learning Disabilities - Care Placements and Care Management	30,756	1,290
Mental Health Care Placements	5,985	Cr 50
Supporting people	1,072	Cr 65
Housing - Homelessness	6,609	727
Children's Social Care	15,047	1,130
Public Protection and Safety		
Mortuary & Coroners Service	403	100
TOTAL		4,357

- 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 future cost pressures, are included in Appendix 4.

Investment Income

3.8 Interest on Balances

- 3.8.1 As a result of the anticipated reduction in balances available for investment due to further utilisation of the Investment and Growth Funds and the Highways Investment capital scheme, combined with the anticipated lower rates that will be available on new investments, a reduction of £600k has been included in the 2017/18 budget.
- 3.8.2 At its meeting on 26th June 2017, Council approved the addition of a loan related to temporary accommodation to the treasury management strategy, which will generate additional income of £100k in 2017/18.
- 3.8.3 The Council's performance on treasury management is in the top 10% among local authorities. Details of the Treasury Management Annual Investment Strategy for 2017/18 were reported to Council on 1st March 2017. The Treasury Management Annual Report for 2016/17 was reported to Council on 26th June 2017.

3.9 Income from Investment Properties

- 3.9.1 There is a total projected surplus of £100k for income from Investment Properties. On 14th March 17, Executive approved the acquisition of Trinity House which completed on 7th April 17. This has resulted in a surplus of income on investment fund properties of Cr £171k, against a budget of £5,475m.
- 3.9.2 It should be noted that the lease for 95 High Street expired in May 2017, and the property is currently being occupied on a short term lease at a reduced rate, whilst seeking a permanent tenant. C & W has advised that it is likely to take up to 12 months before a long term tenant is found. The property was previously over-rented and it is therefore

anticipated that the future market rent will be in region of £80k p.a, slightly lower than the budget of £105k.

- 3.9.3 The additional income from investment fund properties is partly offset by a projected £92k shortfall in the rent share from The Glades Shopping Centre. This is based the minimum rent share of £1.88m. Accounts are supplied by Alaska UK quarterly in arrears and this projection is based on information as at 14th April 2017. It is difficult to provide a precise forecast as LBB income is determined by the rental income from the shops and the level of contribution to any minor works.
- 3.9.4 Net additional income on other properties of £21k is projected due to a higher level of occupancy this financial year and rent reviews.

	£'000
Summary of variations within investment income	
Surplus income from Investment Fund properties	Cr 171
Deficit income from the Glade Shopping Centre	92
Extra income form other investment properties	Cr 21
Total	Cr 100

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 underspend of £705k on DSG funded services, which will be added to the £1.6m carried forward from 2016/17. Details of the 2017/18 monitoring of the School's Budget will be reported to the Education & Children's Services Portfolio Holder.

3.11 Investment Fund and Growth 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 £13.0m on the Investment Fund and £8.1m on the Growth Fund.

3.12 New Adult Social Care Grant

- 3.12.1 The additional funding announced after the Council's 2017/18 budget was set is £4.184m in 2017/18, £3.363m in 2018/19 and £1.677m in 2019/20. This funding falls out after 2019/20 and effectively is early funding for the Improved Better Care Fund announced in 2015.
- 3.12.2 The utilisation of the monies and any "flexibilities" will require the approval of a future meeting of the Executive. Most local authorities are treating these monies as non-recurring in nature which will be used for invest to save and one off investment to secure more sustainable adult social care services. These monies will form part of an Improved Better Care Fund.
- 3.12.3 Key points on the Improved Better Care Fund and changes to existing Better Care Fund arrangements are:

- The Better Care Fund national conditions have reduced from 8 to 4 and they are
 - Plans to be jointly agreed:
 - NHS contribution to adult social care is maintained in line with inflation:
 - Agreement to invest in NHS commissioned out-of-hospital services, which may include 7 day services and adult social care:
 - Managing Transfers of Care.
- The additional social care monies are to be pooled within the existing Better Care Fund which requires joint agreement with the CCG normally through the Health and Wellbeing Board;
- The new adult social care grant will be paid directly to local authorities through a Section 31 grant - remember this is three year funding only and effectively results in early payment (with some increases) of the previously planned Improved Better Care Fund which will be needed to help deal with future year pressures;

3.12.4 The Deputy Chief Executive and the Director of Finance have confirmed to Government that the additional 2017/18 adult social care funding monies are in addition to the Council's previously agreed revenue budget.

3.12.5 A further report on the use and the release of the grant funding will be reported back to the Executive in October/November 2017

3.13 Contribution from the CCG

3.13.1 Over the last few months discussions have been had with the Bromley Clinical Commissioning Group (CCG) regarding contributions from health for children's social care placements. Agreement has been reached where the CCG have agreed to:-

- A one off payment of £500k
- A maximum contribution of £500k per year for the next two years (2017/18 and 2018/19)
- £200k of this funding to be set aside to undertake a review of Hollybank , its use and funding

3.13.2 It has been agreed that CCG funding held by Bromley in an earmarked reserve be utilised for this purpose.

3.13.3 It is therefore recommended that a sum of £800k (£500k 2017/18 contribution and £300k of the one off contribution) be transferred from the earmarked reserve to children's social care for 2017/18. £300k is above and beyond the budget projection and is highlighted separately in Appendix 2B of this report.

4. FINANCIAL CONTEXT

4.1 The 2017/18 Council tax report identified the latest financial projections and a future year budget gap due to the impact of inflation, service and cost pressures and ongoing significant reductions in government funding. More details were reported in the "2017/18 Council Tax" report to Executive in February.

4.2 As reported as part of the Council's financial strategy, a prudent approach has been adopted in considering the central contingency sum to reflect any inherent risks, the potential impact of new burdens, population increases or actions taken by other public bodies which could affect the Council. The approach has also been one of "front loading" savings to ensure difficult decisions are taken early in the budgetary cycle, to provide

some investment in specific priorities, to fund transformation and to support invest to save opportunities which provide a more sustainable financial position in the longer term. The contributions made to the Growth Fund will greatly assist in providing a more sustainable financial position for the Council as it moves to become “self-sufficient” in the longer term.

- 4.3 The 2017/18 Council Tax report identified a budget gap of £23.6m per annum by 2020/21. Additional funding of £5.2m was included in the 2017/18 budget for Children’s Social Care and £2.2m for Education SEN and Adult Social Care to mainly reflect the impact of in-year overspends and additional staffing (Children’s Social Care). The financial forecast and budget will be affected by inflation, changes in government funding and new burdens and realistically any future year overspends will need to be funded from alternative savings. It is therefore important to ensure that action is taken, where possible, to contain costs within budget which also mitigates against the risk of the Council’s budget gap increasing further which would increase the savings required in future years.

5. IMPACT ON VULNERABLE ADULTS AND CHILDREN

- 5.1 The 2017/18 budget reflects the financial impact of the Council’s strategies and service plans which impact on all of the Council’s customers and users of our services.

6. POLICY IMPLICATIONS

- 6.1 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.
- 6.2 The “2017/18 Council Tax” report highlighted the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2017/18 to minimise the risk of compounding financial pressures in future years.
- 6.3 Chief Officer comments are included in sections 3.2 and 3.3

7. FINANCIAL IMPLICATIONS

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

Non-Applicable Sections:	Legal, Personnel, Procurement
Background Documents: (Access via Contact Officer)	Provisional final Accounts - Executive 20 th June 2017; 2016/17 Council Tax – Executive 8 th February 2017; Draft 2016/17 Budget and Update on Council’s Financial strategy - Executive 11 th January 2017; Capital Programme Monitoring Report – elsewhere on agenda; Treasury Management Annual Report 2016/17 – Executive & Resources PDS 14 th June 2017; Financial Management Budget Monitoring files across all Portfolios.