

PART 1 - PUBLIC

Decision Maker: **Executive
Council**

Date: **6th December 2017
11th December 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 second budget monitoring position for 2017/18 based on expenditure and activity levels up to the end of September 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 £221k is forecast based on information as at September 2017;
- (c) consider the comments from the Deputy Chief Executive and Director of Education, Care and Health Services, the Executive Director of Environment and Community Services and the Director of Corporate Services as detailed in Appendix 2;
- (d) note a projected variation of £459k credit from investment income as detailed in sections 3.6 and 3.7;
- (e) note a projected reduction to the General Fund balance of £271k as detailed in section 3.4;
- (f) agree the release of £559k from the 2017/18 Central Contingency as detailed in para. 3.2.2;

- (g) recommend to Council the transfer of £3.5m from the Central Contingency to the Investment Fund as detailed in para. 3.2.8;**
- (h) note the full year costs pressures of £3.3m as detailed in section 3.5;**
- (i) identify any issues that should be referred to individual Portfolio Holders for further action.**

2.2 Council are requested to:

- (a) agree that a sum of £3.5m be transferred to the Investment Fund as detailed in para. 3.2.8;**

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 £221k on portfolio budgets and a £510k 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:

	2017/18 Original Budget £'000	2017/18 Latest Budget £'000	2017/18 Projected Outturn £'000	2017/18 Variation £'000
Portfolio				
Care Services	68,272	70,622	70,683	61
Education & Children's Services (incl. Schools Budget)	37,359	37,835	38,483	648
Environment	29,179	29,560	29,029	Cr 531
Public Protection & Safety	1,963	2,122	2,152	30
Renewal & Recreation	7,693	9,433	9,433	0
Resources	45,265	45,938	45,951	13
Total Controllable Budgets	189,731	195,510	195,731	221
Capital, Insurance & Pension Costs	11,244	11,244	11,244	0
Non General Fund Recharges	Cr 730	Cr 730	Cr 730	0
Total Portfolio Budgets	200,245	206,024	206,245	221
Contingency Provision	14,957	7,493	7,442	Cr 51
Interest on General Fund Balances	Cr 2,891	Cr 2,891	Cr 3,391	Cr 500
Income from Investment Properties	Cr 9,854	Cr 9,854	Cr 9,813	41
Other Central Items	2,629	6,129	6,129	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 61,361	Cr 61,871	Cr 510
Total Variation	143,177	144,663	144,374	Cr 289

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 3.

3.1.4 Comments from the Deputy Chief Executive and Executive Director of Education, Care and Health, the Executive Director of Environment and Community Services and the Director of Corporate Services are included in Appendix 2.

3.2 Central Contingency Sum

3.2.1 Details of the allocations from and variations in the 2017/18 Central Contingency are included in Appendix 4.

3.2.2 The Central Contingency includes £350k relating to the estimated financial impact of the business rate revaluation on Council run properties from April 2017. The actual impact of the revaluation exercise has resulted in an increase of £559k and Members are requested to approve the drawdown of this sum from the Central Contingency. These additional costs have been offset by an equivalent reduction of £209k in the provision for unallocated inflation.

- 3.2.3 At the time of writing this report there may be further reports elsewhere on the agenda relating to General Data Protection Regulations and the CRM System, any funding implications in the current year have not been included at this stage.
- 3.2.4 On 16th October 2017 the Council received notification of £255k funding for the Homelessness Reduction Act Grant – New Burdens funding. The Homelessness Reduction Act makes significant changes to the current homelessness legislation by placing duties on local authorities to intervene earlier and prevent a homelessness crisis for all households. This legislation comes into force on the 1st April 2018.
- 3.2.5 The Council received a late notification of £2.1m funding for the Flexible Homelessness Support Grant. The new grant will empower councils with the freedom to support the full range of homelessness services. This could include employing a homelessness prevention or tenancy support officer to work closely with people who are at risk of losing their homes.
- 3.2.6 Bromley recently received the sum of £50,910 from the Royal Borough of Kensington and Chelsea (RBKC) as our share of the residual balance relating to the winding up of the South London Connexions Consortium some years ago. RBKC were holding on to this balance pending possible legal action from CfBT who were the contractors. This legal action is now statute barred and RBKC have distributed the balance it was holding to several London boroughs including Bromley. This sum has been allocated to the Central Contingency.
- 3.2.7 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.
- 3.2.8 Based on the latest financial position, there is a forecast net variation of £3.5m following a review of the remaining contingency provisions and an estimate of likely further drawdown requirements for the remainder of the year. It is therefore proposed to allocate £3.5m not required in the current year from the 2017/18 Central Contingency to provide one-off funding for the Investment Fund. The future use of this funding will be subject to a detailed report to Members for approval. The setting aside of this funding will also require the approval of Council.
- 3.2.9 The position will continue to be closely monitored and the utilisation of any further variations in the Central Contingency will be considered in future budget monitoring reports.

3.3 Carry Forwards from 2016/17 to 2017/18

- 3.3.1 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 bringing the total carried forward to £560k.

3.4 General Fund Balances

- 3.4.1 The level of general reserves is currently projected to reduce by £271k to £19,729k 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)	Cr 289
Adjustments to Balances:	
Carry Forwards (funded from underspends in 2016/17)	560
General Fund Balance as at 31st March 2018	Cr 19,729

3.5 Impact on Future Years

- 3.5.1 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	20,810	438
Learning Disabilities - Care Placements, Transport & Care Management	31,138	1,788
Mental Health - Care Placements	5,938	168
Supporting People	1,072	Cr 65
Housing Needs - Temporary Accommodation	7,535	88
Children's Social Care	33,390	718
		3,135
Public Protection & Safety Portfolio		
Mortuary & Coroners Service	403	56
Resources Portfolio		
Legal Services - Legal / Counsel Fees	89	140
TOTAL		3,331

- 3.5.2 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.
- 3.5.3 Further details, including action to be taken to contain future cost pressures, are included in Appendix 5.

Investment Income

3.6 Interest on Balances

- 3.6.1 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.
- 3.6.2 Although the Council has seen a significant reduction in the rates offered for new fixed-term deposits as well as overnight money market funds, a surplus of £500k is currently projected for the year, mainly due to the continued high level of balances available for

investment, as well as the further investment in pooled funds, and high level of interest earned on the pooled funds, housing association deposits and Project Beckenham loan.

- 3.6.3 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, and the performance for the second quarter of 2017/18, including a mid-year review of the Strategy, was reported to Executive and Resources PDS Committee on 29th November 2017.

3.7 Income from Investment Properties

- 3.7.1 There is a total projected net deficit of £41k for income from Investment Properties as summarised in the table below.
- 3.7.2 There is a projected net surplus of £79k on the Investment Fund properties as a result of the acquisition of Trinity House completed in April 2017.
- 3.7.3 A deficit of £92k is projected for the rent share from The Glades Shopping Centre based on the minimum rent share of £1.88m. It is difficult to provide a precise forecast as net income is determined by the rental income from the shops offset by contributions to any minor works.
- 3.7.4 Following the combination of the surrender of leases offset by an increase in rental income following rent reviews, there is an expected net shortfall of £28k from other investment properties.

Summary Variations	£'000	
Surplus Income from Investment Fund Properties	Cr	79
Deficit Income from the Glades Shopping Centre		92
Net Shortfall of Income from Other Investment Properties		28
Total		41

3.8 The Schools Budget

- 3.8.1 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.
- 3.8.2 There is a total projected underspend of £124k on DSG funded services, which will be added to the £1.623m 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.

3.9 Investment Fund and Growth Fund

- 3.9.1 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 £20.6m on the Investment Fund and £8.2m on the Growth Fund.

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.
- 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.

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; 2017/18 Council Tax – Executive 8 th February 2017; Draft 2017/18 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 – Council 26 th June 2017; Treasury Management Annual Investment Strategy 2017/18 – Council 1 st March 2017; Financial Management Budget Monitoring files across all Portfolios.