

Decision Maker: EXECUTIVE

Date: Wednesday 10 July 2019

Decision Type: Non-Urgent Executive Non-Key

Title: BUDGET MONITORING 2019/20

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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 2019/20 based on expenditure and activity levels up to the end of May 2019. 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 £2,084k is forecast based on information as at May 2019;
- (c) consider the comments from Chief Officers detailed in Appendix 2;
- (d) note a projected variation of £696k debit from investment income as detailed in sections 3.6 and 3.7;
- (e) note the carry forwards being requested for drawdown as detailed in section 3.3;
- (f) note a projected reduction to the General Fund balance of £2,788k as detailed in section 3.4;
- (g) note the full year cost pressures of £3.7m as detailed in section 3.5;

- (h) agree to the release of £70k from the 2019/20 Central Contingency relating to street lighting costs as detailed in para. 3.2.2;**
- (i) agree to the release of £52k from the 2019/20 Central Contingency relating to additional Exchequer and TFM contract costs as detailed in para. 3.2.4;**
- (j) agree to the release of £584k credit from the 2019/20 Central Contingency relating to savings allocated to the review of staffing as detailed in para. 3.2.5;**
- (k) note the return to the Central Contingency of £898k as detailed in para. 3.2.6;**
- (l) agree to allocate £900k from the Health and Social Care Initiative Reserve to support additional Childrens Social Care costs as detailed in para 3.10;**
- (m) recommend to Council that £1m transferred from the Health and Social Care Initiative Reserve to support the BCCG with their transformation plan for 2019/20 as detailed in para. 3.10;**
- (n) identify any issues that should be referred to individual Portfolio Holders for further action.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: None arising directly from this report
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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: Recurring Cost
 3. Budget head/performance centre: Council wide
 4. Total current budget for this head: £210.6m
 5. Source of funding: See Appendix 1 for overall funding of Council's budget
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Personnel

1. Number of staff (current and additional): 2,061 fte posts (per 2019/20 Budget) which includes 493 for budgets delegated 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 Local Government Act 2000, the Local Government Act 2002 and the Accounts and Audit Regulations 2015.
 2. Call-in: Applicable
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Procurement

1. Summary of Procurement Implications: None arising directly from this report
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The 2019/20 budget reflects the financial impact of the Council's strategies and service plans which impact on all of the Council's customers (including council tax payers) and users of our services.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Council Wide

3. COMMENTARY

3.1 Summary of Projected Variations

3.1.1 The Resources Portfolio Plan included a target that each service department will spend within its own budget. Current projections show an overall net overspend of £2,084k within portfolio budgets and a £202k credit variation on investment income, central items and prior year adjustments.

3.1.2 A summary of the 2019/20 budget and the projected outturn is shown in the table below:

	2019/20 Original Budget £'000	2019/20 Latest Budget £'000	2019/20 Projected Outturn £'000	2019/20 Variation £'000
Portfolio				
Adult Care & Health	69,505	68,879	69,545	666
Education, Children & Families (inc. Schools Budget)	44,759	44,759	46,082	1,323
Environment & Community	31,294	31,277	31,415	138
Public Protection & Enforcement	2,447	2,630	2,630	0
Renewal, Recreation & Housing	16,015	15,796	15,607	Cr 189
Resources, Commissioning & Contracts Management	46,040	46,383	46,529	146
Total Controllable Budgets	210,060	209,724	211,808	2,084
Capital Charges and Insurance	11,769	11,769	11,769	0
Non General Fund Recharges	Cr 874	Cr 874	Cr 874	0
Total Portfolio Budgets	220,955	220,619	222,703	2,084
Income from Investment Properties	Cr 10,290	Cr 10,290	Cr 9,594	696
Interest on General Fund Balances	Cr 3,291	Cr 3,291	Cr 3,291	0
Total Investment Income	Cr 13,581	Cr 13,581	Cr 12,885	696
Contingency Provision	11,155	12,515	11,617	Cr 898
Other Central Items	Cr 9,003	Cr 9,003	Cr 9,003	0
General Government Grants & Retained Business Rates	Cr 42,922	Cr 43,040	Cr 43,040	0
Collection Fund Surplus	Cr 6,753	Cr 6,753	Cr 6,753	0
Total Central Items	Cr 47,523	Cr 46,281	Cr 47,179	Cr 898
Total Variation on Services and Central Items	159,851	160,757	162,639	1,882
Prior Year Adjustments	0	0	0	0
Total Variation	159,851	160,757	162,639	1,882

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 Chief Officer comments are included in Appendix 2.

3.2 Central Contingency Sum

3.2.1 Details of the allocations from and variations in the 2019/20 Central Contingency are included in Appendix 4.

3.2.2 As a result of significant increases in energy tariffs during the last 12 months, the cost of street lighting electricity has substantially increased. Part of these inflationary costs have been absorbed by underspends elsewhere within the service, however Members are asked to

approve the allocation of £70k from the central contingency to meet the remaining additional energy cost.

3.2.3 Electricity prices are expected to continue to rise and therefore the cost of providing street lighting will also increase. The Council has a programme of energy efficiency projects in place, utilising Salix funding and Invest to Save funding, which will be used to mitigate the increase in energy costs.

3.2.4 £52k is also requested from Central Contingency for the additional level of inflation applied to the Exchequer & TFM contracts in line with the current terms, over and above the 2% already applied.

3.2.5 As part of the Medium Term Financial Strategy for 2019/20 £600k of savings were assumed in regard to undertaking a staffing review. This was placed into the contingency until further work could be undertaken. This work has now been carried out and it is requested that £584k credit be allocated to the relevant departments.

3.2.6 Members are requested to note that the following items have been returned to the Central Contingency this cycle totalling £898k:-

- (i) The sum of £331k has been returned to Central Contingency to reflect the difference in the number of households in nightly paid accommodation at the start of the year compared to what had been assumed in the growth allocated in the 2019/20 budget
- (ii) £567k of funding set aside for the National Living Wage in Adult Social Care has been returned to the contingency. This is no longer required as increases in fees in Adult Social Care placements have been lower than anticipated. This relates to 2018/19 allocation as reported to the Executive on the 21st May 2019.

3.3 Carry Forwards from 2018/19 to 2019/20

3.3.1 After allowing for government grant funding, a net sum of £906k has been carried forward into 2019/20 from underspends in 2018/19. This was approved by the Executive on the 21st May 2019 subject to the funding being allocated to the Central Contingency to be drawn down on the approval of the relevant Portfolio Holder.

3.3.2 The carry forwards being requested are summarised in the table below and details will be reported to the relevant PDS Committee. The figures contained in this report assume that these requests will be agreed:

	£'000
Renewal, Recreation and Housing	405
Adult Care and Health	5,805
Public Protection & Enforcement	296
Education, Children & Families	714
Environment & Community	120
Resources, Commissioning & Contracts	623
	7,963
Government Grant Income	Cr 7,057
Total Net Carry Forwards Requested for Drawdown this Cycle	906

3.4 General Fund Balances

3.4.1 The level of general reserves is currently projected to reduce by £2,788k to £17,212k at 31st March 2020 as detailed below:

	2019/20 Projected Outturn £'000
General Fund Balance as at 1st April 2019	Cr 20,000
Net Variations on Services & Central Items (para 3.1)	1,882
	Cr 18,118
Adjustment to Balances:	
Carry Forwards (funded from underspends in 2018/19)	906
General Fund Balance as at 31st March 2020	Cr 17,212

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:

	2019/20 Budget £'000	2020/21 Impact £'000
Adult Care & Health Portfolio		
Assessment & Care Management - Care Placements	21,996	1,507
Learning Disabilities - Care Placements, Transport & Care Management	35,089	912
Mental Health - Care Placements	6,554	502
Better Care Funding	0	Cr 470
		2,451
Education, Children & Families Portfolio		
Children's Social Care	34,414	1,249
		1,249
TOTAL		3,700

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 are included in Appendix 5.

Investment Income

3.6 Income from Investment Properties

3.6.1 A deficit of £696k is projected for investment income which takes into consideration the following issues:

- (i) Savings of £700k were built into the 2019/20 budget reflecting the additional income and cost reductions expected to be achieved through the TFM contract with Amey. However it is unclear at this stage if this target is likely to be met and so a shortfall of £450k is currently being predicted.

- (ii) The Glades Shopping Centre rental income is currently projected to be below the income budget for 2019/20 by £131k, based on achieving the minimum rent share only. Accounts are supplied by Alaska UK quarterly in arrears making it difficult to provide a precise forecast, as LBB income is determined by rental income less the level of contribution to any minor works. The budget for the Glades is £2.01m and the minimum rent share is £1.88m.
- (iii) Properties purchased from the investment fund are also likely to underachieve on income by £130k, mainly due to rent free periods negotiated with several tenants.
- (iv) There is additional income of £15k relating to turnover rent expected from Biggin Hill Airport, based on the continued growth seen in recent years.

Summary of variations within Investment Income	
	£'000
Shortfall in savings anticipated relating to TFM contract	450
Shortfall in Glades income	131
Shortfall in Rent from Properties Purchased from Investment Fund	130
Increased Turnover Rent from Biggin Hill Airport	Cr 15
Total variations within Investment Income	696

3.7 Interest on Balances

- 3.7.1 Despite an increase in the Bank of England base rate from 0.50% to 0.75%, there has been relatively little impact on interest income from lending to banks. This is partly due to banks having the continued ability to borrow from the Bank of England at very low rates as well as the strengthening of 'balance sheets' reducing the need to borrow and the fact that expected increases in the base rate had already been 'priced in'.
- 3.7.2 In addition, the utilisation of the Investment and Growth funds as well as the Highways Investment Scheme, have reduced the resources available for treasury management investment. However, the treasury management strategy has been revised to enable alternative investments of £100m which will generate additional income of around £2m compared with lending to banks.
- 3.7.3 Balances available for investment are anticipated to decrease in 2019/20 as a result of the utilisation of capital receipts and earmarked revenue reserves and the internal lending for the Site G development will have an impact on investment income until the future capital receipts are realised. A decrease of £200k was included in the draft 2019/20 budget to reflect this.
- 3.7.4 The contribution of higher risk and longer term investments within Treasury Management has generated additional income and contributed towards the Council being in the top decile performance (top 10%) against the local authority benchmark group. The Treasury Management Annual Investment Strategy for 2019/20 was reported to Council on 25th February 2019 and the Annual Report for 2018/19 was reported to Executive, Resources and Contracts PDS Committee on 3rd July 2019.

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 year's Schools Budget.

- 3.8.2 There is a current projected underspend in DSG of £426k. This will be added to the £2,495k carried forward from 2018/19. We have agreed to use £212k of the brought forward balance to support the services in-year. The carry forward figure will need to be reduced for the Early Year adjustment for 2018/19 once DfE has released the figures (normally in July). This gives us an estimated DSG balance of £2,709k at the end of the financial year.
- 3.8.3 It should be noted that the DSG can fluctuate due to pupils requiring additional services or being placed in expensive placements. The Council are contributing £1.9m of core funding to DSG services in 2019/20 and potentially any underspend could be used to minimise the Council contribution.

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 Q1 2019/20 reported elsewhere on this agenda. The uncommitted balances reported previously were £19.3m on the Investment Fund and £10.1m on the Growth Fund. A further report elsewhere on the agenda requests an allocation of £3.5m from the Investment Fund for the provision of modular homes. If this is approved, the balance on the Investment Fund will reduce to £15.8m

3.10 Health and Social Care Initiatives Reserve

- 3.11.1 In previous years the BCCG have identified funding to pump prime and deliver the investment required by health working with the Council to deliver integrated services across the whole health and care system. The primary purpose for such contributions relates to transformation funding which provides a benefit to health care with a positive impact on social care.
- 3.11.2 The BCCG have agreed to make a further contribution to the costs of Childrens Social Care Placements of £900k from this reserve. This would take the overall contribution to £1.9m in 2019/20.
- 3.11.3 Executive are requested to agree that a sum of £900k be transferred from the Reserve to support the BCCG health contribution towards set aside within the earmarked reserve. This fund will ensure the support of key initiatives relating to health and social care.
- 3.11.4 It is also requested that the BCCG are able to drawdown £1.1m from the Health and Social Care Initiatives Reserve towards their cost of transformation for the 'One Bromley' partnership involving the CCG, Health organisations, the Voluntary Sector and Bromley Social Care.

3.11 Financial Context

- 3.12.1 The 2019/20 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. Details were reported in the 2019/20 Council Tax report to Executive in February 2019.
- 3.12.2 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. This has enabled a longer term approach to generate further income from the additional resources available as well as to mitigate against significant risks and provide a more sustainable financial position in the longer term.

3.12.3 The 2019/20 Council Tax report identified a budget gap of £31.7m per annum by 2022/23. 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 reduces the risk of the Council's budget gap increasing further thereby increasing the savings required in future years.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

4.1 The 2019/20 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.

5. POLICY IMPLICATIONS

5.1 "Building a Better Bromley 2016-2018" identifies the following key priority:

Ensure financial independence and sustainability through:

- Strict management of our budgets to ensure we live within our means;
- Working to achieve the benefits of the integration of health and social care;
- Early intervention for our vulnerable residents.

5.2 The 2019/20 Council Tax report highlighted the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2019/20 to minimise the risk of compounding financial pressures in future years.

6. FINANCIAL IMPLICATIONS

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

Non-Applicable Sections:	Personnel, Legal, Procurement
Background Documents: (Access via Contact Officer)	Provisional Final Accounts 2018/19 – Executive 21 st May 2019; 2019/20 Council Tax – Executive 13 th February 2019; Draft 2019/20 Budget and Update on Council's Financial Strategy 2020/21 to 2022/23 – Executive 16 th January 2019; Capital Programme Monitoring Report – elsewhere on agenda; Treasury Management Annual Investment Strategy 2019/20 and Quarter 3 performance– Council 25 th February 2019; Financial Management Budget Monitoring files across all portfolios.