
Decision Maker: LEADER OF THE COUNCIL

Date: Wednesday 25 November 2020

Decision Type: Non-Urgent Executive Non-Key

Title: BUDGET MONITORING 2020/21

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Chief Officer: Director of Finance

Ward: Borough Wide

1. Reason for report

- 1.1 This report is split into two key elements. Firstly it provides the second budget monitoring position for 2020/21 based on expenditure and activity levels up to the end of September 2020, excluding the financial impact of Covid-19. 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. Secondly the report identifies latest indications of the financial impact of the Covid-19 situation which needs to be treated with some caution at this stage because of the ongoing uncertainty arising from moving out of lockdown to transition and ultimately the 'new normal'.

2. RECOMMENDATIONS

2.1 The Leader of the Council is requested to:

Financial Monitoring (excluding Covid-19 impact)

- (a) consider the latest financial position;
- (b) note that a projected net overspend on services of £1,538k is forecast based on information as at September 2020.
- (c) consider the comments from Chief Officers detailed in Appendix 2;
- (d) note a projected reduction to the General Fund balance of £83k as detailed in section 3.3;
- (e) note the full year cost pressures of £6.4m as detailed in section 3.4;

- (f) agree to the release of £200k from the 2020/21 Central Contingency relating to Staff Merit Awards as detailed in para. 3.2.2;**
- (g) agree to the release of £125k from the 2020/21 Central Contingency relating to TFM Posts as detailed in para. 3.2.3;**
- (h) agree to the release of £52k from the 2020/21 Central Contingency relating to PrEP Grant as detailed in para. 3.2.4;**
- (i) agree the release of £520k from earmarked reserves to fund community equipment as detailed in para. 3.9.1;**
- (j) identify any issues that should be referred to individual Portfolio Holders for further action.**

Estimated Financial Impact of Covid-19

- (k) consider the latest estimated financial impact of Covid-19 situation, detailed in Section 4, and note the ongoing financial uncertainty position relating to net costs and the current shortfall in Government funding;**
- (l) note that the estimated financial impact of the Covid-19 situation which needs to be treated with some caution at this stage because of the ongoing uncertainty arising from the impact moving out of 'lockdown' to transition and ultimately the 'new normal'.**

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: £216.5m
 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): 2,096 fte posts (per 2020/21 Budget) which includes 505 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 2020/21 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 £1,538k within portfolio budgets and a £2,595k credit variation on investment income, central items and prior year adjustments.

3.1.2 A summary of the 2020/21 budget and the projected outturn is shown in the table below:

	2020/21 Original Budget £'000	2020/21 Latest Budget £'000	2020/21 Projected Outturn £'000	2020/21 Variation £'000
Portfolio				
Adult Care & Health	69,416	69,416	70,095	679
Education, Children & Families (inc. Schools Budget)	42,207	42,674	44,466	1,792
Environment & Community	31,136	31,363	30,881 Cr	482
Public Protection & Enforcement	2,434	2,434	2,434	0
Renewal, Recreation & Housing	14,889	15,133	15,099 Cr	34
Resources, Commissioning & Contracts Management	46,015	46,977	46,560 Cr	417
Total Controllable Budgets	206,097	207,997	209,535	1,538
Capital Charges and Insurance	9,340	9,340	9,340	0
Non General Fund Recharges	Cr 853	Cr 853	Cr 853	0
Total Portfolio Budgets	214,584	216,484	218,022	1,538
Income from Investment Properties	Cr 9,720	Cr 9,720	Cr 9,720	0
Interest on General Fund Balances	Cr 3,591	Cr 3,591	Cr 4,341 Cr	750
Total Investment Income	Cr 13,311	Cr 13,311	Cr 14,061 Cr	750
Contingency Provision	11,799	11,031	9,186 Cr	1,845
Other Central Items	1,822	1,902	1,902	0
General Government Grants & Retained Business Rates	Cr 42,038	Cr 42,110	Cr 42,110	0
Collection Fund Surplus	Cr 5,873	Cr 5,873	Cr 5,873	0
Total Central Items	Cr 34,290	Cr 35,050	Cr 36,895 Cr	1,845
Total Variation on Services and Central Items	166,983	168,123	167,066 Cr	1,057
Prior Year Adjustments	0	0	0	0
Total Variation	166,983	168,123	167,066 Cr	1,057

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 2020/21 Central Contingency are included in Appendix 4.

3.2.2 As part of the introduction of Localised Pay, Members agreed a merited reward for exceptional performers and a provision of £200k was included in the Central Contingency. A request is made to drawdown the £200k to fund the expenditure for the rewards in 2020/21.

- 3.2.3 Following the approval of the Transforming Property Services report that went to the Leader in July, a total of £125k has been agreed as a drawdown from contingency to fund the part year effect of the Head of Estates and Assets, Property Programme Management and Disposals Surveyor posts in 2020/21.
- 3.2.4 In September 2020, the Department of Health and Social Care announced the ring-fenced HIV PrEP grant. Bromley's allocation for 2020/21 is £52k.
- 3.2.5 PrEP (pre-exposure prophylaxis) is an HIV prevention method and is highly effective in reducing HIV infection risk. It should play a key part to support the Government's commitment to end new HIV infections by 2030.
- 3.2.6 The PrEP grant is ringfenced for the specific use of routine commissioning to cover the increased and longer sexual health clinic attendances and extra routine HIV/STI tests which are expected to be online. New tariffs for PrEP appointments (Starter base price £84.37 and Returnee base price of £45.05) take account of longer appointment times and are based on the nationally developed costed pathways. Usual tariffs apply for the routine HIV/STI testing.
- 3.2.7 The grant is part year, and the allocation is based on modelled estimates which cannot be verified as they draw on trial data which is restricted. This leads to the belief that the starting estimates could be higher. In addition, Agenda for Change pay rise and geographical weighting are not included into the new tariffs. There are also concerns of the level of unmet need or demand. While the financial modelling indicates sufficiency of the grant in that there is adequate headroom within the allocation, we must bear in mind the additional costs and risks outlined above.
- 3.2.8 Commissioners will keep PrEP activity under close review throughout 2020/21 and will liaise via the London Programme with the appropriate funding authorities to work on sufficiency of funds next year while we get better and visible data from services.

3.3 General Fund Balances

- 3.3.1 The level of general reserves is currently projected to reduce by £83k to £19,917k at 31st March 2021 as detailed below:

	2020/21 Projected Outturn £'000
General Fund Balance as at 1st April 2020	Cr 20,000
Net Variations on Services & Central Items (para 3.1)	Cr 1,057
	Cr 21,057
Adjustment to Balances:	
Carry Forwards (funded from underspends in 2019/20)	1,140
General Fund Balance as at 31st March 2021	Cr 19,917

3.4 Impact on Future Years

- 3.4.1 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:

	2020/21 Budget £'000	2021/22 Impact £'000
Adult Care & Health Portfolio		
Assessment & Care Management - Care Placements	25,113	1,339
Learning Disabilities - Care Placements & Care Management	36,506	2,191
Mental Health - Care Placements	7,211	832
		4,362
Renewal, Recreation & Housing		
Housing Needs		803
		803
Children, Education & Families Portfolio		
Children's Social Care	35,969	1,255
		1,255
TOTAL		6,420

3.4.2 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.

3.4.3 Further details are included in Appendix 5.

Investment Income

3.5 Income from Investment Properties

3.5.1 A deficit of £3m is projected for net investment income which takes into consideration the following:

- (i) The COVID 19 situation has had a significant impact on the retail sector and tenants ability to pay rents. The Council has offered payment deferments to a significant number of tenants, and while this income remains due and accounted for in 2020/21 there will inevitably be defaults when the deferred amounts become payable by at the end of the financial year. It is difficult to estimate the value of this to the Council at this stage but 30% of all rental income has been assumed to be at risk which would be in the region of £3m of Investment Property income. This amount remains under review and will be updated as appropriate as the year progresses. It should be noted that as the Q2 due date approaches numerous tenants have stated that they will not pay – this is a national issue and HM Government are likely to provide further guidance to landlords and Tenants in due course.

Summary of variations within Investment Income

	£'000
Estimated shortfall in rent due to COVID-19 pressures	3,000
Total variations within Investment Income	3,000

3.5.2 The £3m deficit is COVID related and therefore is contained within the COVID expenditure detailed in paragraph 4 of this report.

3.6 Interest on Balances

- 3.6.1 Despite the decrease in the Bank of England base rate from 0.75% to 0.25% in March 2020, and then to 0.10%, 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'. However the fall in the base rate will tend to reduce the interest rates available on any new investments that the Council wishes to consider during 2020/21, as and when other investments mature or other balances become available.
- 3.6.2 In addition, the utilisation of the Investment and Growth funds as well as the Highways Investment Scheme, has reduced the resources available for treasury management investment. However, the treasury management strategy has been revised to enable alternative investments of £100m which will continue to generate additional income compared to that available from lending to banks.
- 3.6.3 The Council has benefitted from its revised strategy through increased lending to housing associations and additional sums being invested in a Multi-Asset Income Fund. Additionally, slippage on the capital programme has allowed increasing balances to be invested. In addition the Director of Finance has arranged a considerable number of two year lending deals and the benefit of the higher investment returns continues, at the current time, until the end of the lending term.
- 3.6.4 The provisional outturn for 2019/20 was £1.8m above budget. For 2020/21 the projected outturn stands at £4.341m (additional income of £750k, compared with the 2020/21 budget).

3.7 The Schools Budget

- 3.7.1 Expenditure on Schools is funded through the Dedicated Schools Grant (DSG) provided 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.
- 3.7.2 The DSG projected to overspend by £3,241k. This will be taken from the £1,733k carried forward from 2019/20. There is also an adjustment of £301k of additional income to the carry forward figure for Early Years Prior Year Adjustment. It was agreed to use £252k of the brought forward balance to support the services in-year. It was agreed that £1,100k of this years DSG allocation would be set aside to fund 2021/22 future pressures. However as these pressures have emerged more rapidly the funding will be used to support additional expenditure in year. £162k worth of spend within the DSG that is being incurred due to COVID-19 and will be funded from other sources. This gives an estimated DSG deficit balance to be carry forward of £197k into the new financial year. It should be noted that the DSG can fluctuate due to pupils requiring additional services or being placed in expensive placements.

3.8 Investment Fund and Growth Fund

- 3.8.1 Full details of the current position on the Investment Fund and the Growth Fund are included in the 'Capital Programme Monitoring Q1 2020/21' report considered by the Leader in July 2020. The uncommitted balances currently stand at £12.5m for the Investment Fund and £11.5m for the Growth Fund.

3.9 Section 75 Funding

- 3.9.1 There are monies set aside as an earmarked reserve with the prime purpose for transformation funding which provides a benefit to health care with a positive impact on social care. The social care impact is one of the determinants for the release of such funds. There has been a request from the CCG to release £520k as follows:-

The CCG and LBB continue to work jointly together in many areas of health and social care. One area of pressure for both parties has been the increasing demand in community equipment for patients being discharged from hospital. A joint integrated review is currently taking place on how this service is commissioned and managed. Approval is sought for £520k drawdown against the joint s75 fund to support the service as this review takes place.

4. ESTIMATED FINANCIAL IMPACT OF COVID-19

4.1 2020/21 Council Tax Report

- 4.1.1 Details of the 'budget gap' considered as part of the 2020/21 Council tax report, in February 2020 are shown below:

	£m 2020/21	£m 2021/22	£m 2022/23	£m 2023/24
Budget Gap (2020/21 Council Tax Report), excluding mitigation and transformation savings	9.2	14.2	21.3	39.9
Mitigation savings (offset growth)	(5.1)	(7.8)	(13.4)	(16.9)
Transformation Savings	(4.1)	(5.6)	(5.9)	(6.1)
Budget Gap (including mitigation and transformation savings)	Nil	0.8	2.0	16.9

- 4.1.2 The above table illustrates the significant savings assumed in the 2020/21 Budget. If these savings are not fully delivered the budget gap increases by a corresponding amount and alternative savings would have to be delivered, in addition to savings yet to be identified to balance the budget for 2021/22 and future years.

4.2. 2020/21 Financial Monitoring

- 4.2.1 The latest financial monitoring position identifies a net overspend of £1.538m which excludes the impact of Covid-19. This represents the impact of the first six months of the financial year and the full year impact of 2019/20 outturn. The most significant financial risk to the Council relates to Covid-19 impact which is shown below.

4.3 Notification to Government of Potential Costs/Income Losses and Funding Available

- 4.3.1 The Council is required to submit a return to MHCLG on the latest estimated cost/income losses due to Covid-19 for the current year. The latest return submitted, together with funding available at the time of completing the return is shown below:

Portfolio	COSTS (£'000)	INCOME (£'000)	TOTAL (£'000)
Adult Care & Health	16,510	416	16,926
Children's, Education & Families	3,763	605	4,368
Environment & Community	2,256	5,224	7,480
Public Protection & Enforcement	1,812	100	1,912
Renewal, Regeneration & Housing	3,157	5,740	8,897
Resources, Commissioning & Contracts Management	2,546	168	2,714
	30,044	12,253	42,297

Council Tax/Business Rates		16,600	16,600
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Total Per MHCLG Return	30,044	28,853	58,897
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	£'000
Support for social care and other costs (un ringfenced)	-22,878
Income compensation grant	-4,754
Infection Control (tranches 1 and 2)	-4,535
Council Tax Hardship Fund	-1,841
Test and Trace Grant	-1,370
Contain Outbreak Management Fund – Tier 2 (tbc)	-990
Next Steps Accommodation Programme and Rough Sleepers	-397
London Street Space Fund	-369
Reopening High Street Fund	-295
Emergency Assistance	279
Compliance and Enforcement	-145
Emergency Active Travel Fund	-100
Wellbeing for Education	-39
New Burdens Admin Business Grant	-170
Health Funding (SEL CCG)	-1,425
Total Government Funding	-39,587
GLA and Govt. Share of Business Rates and Council Tax Loss	-7,553
Estimated Net cost to the Council	11,757
Consisting of:	
2020/21 General Fund	2,710
Potential losses charged to revenue in future three years	9,047

@ It is important to note that there remains significant uncertainty on the final costs, including the impact of the second wave.

- 4.3.2 Assuming any additional funding is fully committed by the equivalent amount to fund additional Covid related costs, the Council faces a net cost, after Government funding of £11.8m of which £2.7m would need to be reflected in the current year and a cost of £9m within the Council's collection fund which results in a revenue impact over the next three years (2021/22 to 2023/24).
- 4.3.3 Although the ultimate net cost will change, as the impact of the 'transition' and 'new normal' will change costs, the above table illustrates that the potential costs remain only partly funded. Unless fully funded through Government grant then the only options available for the Council is to drawdown any monies available in the Central Contingency Sum, use of reserves or explore any possible mitigation.
- 4.3.4 The financial impact will continue to be monitored on a monthly basis and the Council will continue to seek additional Government funding to reduce the impact on local council tax.

4.4 Further Funding Recently Announced

- 4.4.1 Since the MHCLG return was completed (see 4.3.1) the Council has been separately notified of further funding as follows:

Grant Description	£'000
Contain Outbreak Management	2,641
Local Restrictions Support Grant (Closed)	5,311
Additional Restrictions Grant	6,647
Support for clinically extremely vulnerable	179
Covid Winter Grant Scheme	754
Holiday Activities and Food Programme	Tbc

- 4.4.2 There is expected to be additional financial commitments to reflect the further funding. In addition to the grants shown above (4.3.1 and 4.4.1) the Council received £52.482m for business grants and £51.137m for business rate relief, resulting in total funding to date of £158m.

4.5 Summary of Key Influences on Financial Impact

- 4.5.1 The key challenge is the cost of the impact of Covid-19 and the extent to which the Government funds the net cost to the Council. Examples of the financial impact include:
- (a) Additional costs relating to direct support, enhancements to contract prices during this interim period (where necessary), additional staffing support, provision of new services, mortuary costs etc;
 - (b) Planned budget savings which cannot be delivered during this period;
 - (c) Loss of income which includes, for example, car parking and enforcement, business rates, council tax collection, rent income from investment properties and treasury management.

4.6 Impact on Future Years Financial Forecast

- 4.6.1 The financial impact in 2021/22 is unclear at this stage and the 2021/22 financial forecast will need to be refined once the ongoing impact is known. However, the longer term impact is expected to result in additional cost pressures, in part, to reflect the impact of a global recession. There will be a global recovery but realistically that may not materialise until 2022/23. Apart from the additional costs arising from a recession which can range from council tax support and additional services for vulnerable residents etc, there is likely to be a significant impact on the Council's income. The Council has sought funding support on the 'new normal' impact for future years as part of the Spending Review submission to Government (details will be reported to January meeting of Executive/Leader as part of the draft 2021/22 Budget report).

4.7 Impact of Covid-19 on capital programme and capital receipts

- 4.7.1 The current situation may have a negative impact on the capital receipts and may result in a deferral of disposals which impacts on funding for capital schemes. The capital programme, reported to the February meeting of the Executive, identified that the capital programme will need to be funded from revenue or borrowing from 2023/24 if there are further new schemes and alternative capital receipts are not identified. This situation will continue to be closely monitored and it remains unclear, at this stage, on whether the Covid-19 situation will increase the costs of capital schemes as the social distancing etc. continues.

5. IMPACT ON VULNERABLE ADULTS AND CHILDREN

- 5.1 The 2020/21 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 ensure good strategic financial management and robust discipline to deliver within our budgets.
- 6.2 The "2020/21 Council Tax" report highlighted the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2020/21 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:	Personnel, Legal, Procurement
Background Documents: (Access via Contact Officer)	Provisional Final Accounts 2019/20 – Leader May 2020; 2020/21 Council Tax – Executive 12th February 2020; Draft 2020/21 Budget and Update on Council's Financial Strategy 2021/22 to 2023/24 – Executive 15 th January 2020; Capital Programme Monitoring Report – elsewhere on agenda; Treasury Management Annual Investment Strategy 2020/21 and Quarter 3 performance– Council 24 th February 2020; First Budget Monitoring – Leader July 2020 Financial Management Budget Monitoring files across all portfolios.