

Decision Maker: EXECUTIVE

Date: Thursday 15 July 2021

Decision Type: Non-Urgent Executive Non-Key

Title: BUDGET MONITORING 2021/22

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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 2021/22 based on expenditure and activity levels up to the end of May 2021. 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. Future monitoring reports will provide an update on the COVID grant 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 £2,027k is forecast based on information as at May 2021.
- (c) consider the comments from Chief Officers detailed in Appendix 2;
- (d) note the carry forwards being requested for drawdown as detailed in section and approve the approach for drawdown as set out in para 3.3;
- (e) note a projected reduction to the General Fund balance of £2,843k as detailed in section 3.4;
- (f) note the full year cost pressures of £4.961m as detailed in section 3.5;
- (g) agree to the release of £315k from the 2021/22 Central Contingency relating to rough sleepers initiative grant as detailed in para. 3.2.2;

- (h) agree to the release of £324k from the 2021/22 Central Contingency relating to Tackling Troubled Families (Supporting Families) grant as detailed in para. 3.2.3;**
- (i) agree to the release of £35k from the 2021/22 Central Contingency relating to Domestic Abuse Grant as detailed in para. 3.2.4;**
- (j) agree to the release of £113k from the 2021/22 Central Contingency relating to Accommodation for Ex-Offenders Grant as detailed in para. 3.2.5;**
- (k) agree to the release of £100k from the 2021/22 Central Contingency relating to Virtual School additional duties as detailed in para. 3.2.6;**
- (l) agree to the release of £22k from the 2021/22 Central Contingency relating to Reducing Parental Conflict Grant as detailed in para. 3.2.7;**
- (m) note the additional contribution to the Business Rates Adjustment earmarked reserve relating to the timing differences of grant income received and the costs charged to the Councils General Funds 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: £217.2m
 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 2021/22 Budget) which includes 471 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 2021/22 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 £2,027k within portfolio budgets and a zero variation on investment income, central items and prior year adjustments.

3.1.2 A summary of the 2021/22 budget and the projected outturn is shown in the table below:

	2021/22 Original Budget £'000	2021/22 Latest Budget £'000	2021/22 Projected Outturn £'000	2021/22 Variation £'000
Portfolio				
Adult Care & Health	74,214	74,239	74,262	23
Children, Education & Families (inc. Schools Budget)	46,045	46,163	47,869	1,706
Environment & Community	31,761	32,409	32,558	149
Public Protection & Enforcement	2,536	2,536	2,536	0
Renewal, Recreation & Housing	15,105	15,283	15,324	41
Resources, Commissioning & Contracts Management	45,649	46,417	46,525	108
Total Controllable Budgets	215,310	217,047	219,074	2,027
Capital Charges and Insurance	11,444	11,444	11,444	0
Non General Fund Recharges	Cr 902	Cr 902	Cr 902	0
Total Portfolio Budgets	225,852	227,589	229,616	2,027
Income from Investment Properties	Cr 9,169	Cr 9,169	Cr 9,169	0
Interest on General Fund Balances	Cr 3,591	Cr 3,591	Cr 3,591	0
Total Investment Income	Cr 12,760	Cr 12,760	Cr 12,760	0
Contingency Provision	14,391	13,543	13,543	0
Other Central Items	Cr 5,985	Cr 5,985	Cr 5,985	0
General Government Grants & Retained Business Rates	Cr 41,581	Cr 41,654	Cr 41,654	0
Collection Fund Surplus	Cr 4,605	Cr 4,605	Cr 4,605	0
Total Central Items	Cr 37,780	Cr 38,701	Cr 38,701	0
Total Variation on Services and Central Items	175,312	176,128	178,155	2,027
Prior Year Adjustments	0	0	0	0
Total Variation	175,312	176,128	178,155	2,027

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 2021/22 Central Contingency are included in Appendix 4.

3.2.2 Rough Sleeping initiative Grant - £315k

The Ministry of Housing, Communities and Local Government's (MHCLG) has been working in partnership with local authorities to fund and deliver initiatives targeted at end rough sleeping. For 2021/22, Bromley has been allocated Rough Sleeping Initiative 4 funding of £315k to

implement rough sleeping posts and initiatives for a one-year period. With the £69k carried forward from 2020/21, there is therefore a total of £384k available:

The proposal for the utilisation has been agreed with the MHCLG as set out in the table below:

	£'000
Emergency accommodation, support and move on costs	130
Rough Sleeping Co-ordinator (1 x FTE)	48
Complex Needs Navigator (1 x FTE)	41
Floating Support Officer (1 x FTE)	42
PRS Incentives Fund	52
Personalisation Budget	25
Flexible Surge Budget (Temporary Accommodation)	46
	<u>384</u>

3.2.3 Tackling Troubled Families Grant (now called Supporting Families) - £324k

MHCLG have confirmed that funding for Supporting Families will continue in 2021/22. As in previous years the income and expenditure has been set aside in contingency until confirmation has been received. The Executive are requested to agree the drawdown a sum of £324k for Supporting Families from the 2021/22 grant allocation.

The overall expenditure for the year is estimated at £891k, mainly due to employee costs. The remaining £567k has been carried forward from the previous financial year and will be drawn down by the Portfolio Holder.

Funding for 2022/23 has not yet been confirmed.

3.2.4 Domestic Abuse Grant - £35k

To address current gaps, the Domestic Abuse Bill currently before Parliament includes a new duty relating to the provision of support to victims and their children within safe accommodation. Subject to the successful passage of the Bill through parliament, the new duty will come into force in 2021. The grant will fund a new post to be used as a direct link into the Bromley and Croydon Women's Aid (BCWA) Independent Domestic Violence Advisors (IDVA) service and their focus in housing would be raising the profile of the existing domestic abuse support offer with all Housing Teams as well as all the operational Registered Social Landlords (RSLs) in Bromley.

3.2.5 Accommodation for Ex-Offenders Grant - £113k

The Housing Division applied for MCHLG ex-offender accommodation funding and has been successfully awarded £125k (of which £12k relates to 2022/23). The grant allows the Council and Probation Services to boost its partnership work to find suitable and safe accommodation for ex-offenders and help to minimise repeat offending and rough sleeping. Whilst securing the private rented sector accommodation is a key outcome, the delivery of support and sustainment services is vital to the successful outcomes for those found placements. Therefore, a wraparound service will be developed and tailored to meet the health, support and training/employment needs of the individual and to assist them to achieve their personal goals. The funding agreed will provide:

	£'000
1 FTE Project Support Officer (PSO)	45
Salary increase for a Team Leader Post to manage the PSO	5
£2,500 total per service user for 28 service users	70
Expenses including client provisions on release and travel	5
	<u>125</u>

The Housing Options and Support Service currently has a dedicated worker in post, who is co-located with Probation Services to prevent or relieve homelessness with ex-offenders in housing need. There is also an existing partnership to deliver this work and support ex-offenders, which primarily consists of Probation, HMO Prisons/Youth Offending Institutions, Health, OXHLEAS, CMHT, Drug and Treatment Services, Accommodation Providers, alongside the Housing Division. However, work will be undertaken to widen and develop the scope and delivery of the partnership.

The funding will provide PRS incentives for ex-offenders, allowing the Homelessness Prevention fund to be utilised for the increased numbers approaching the Council in housing need. Often ex-offenders will wish to relocate and therefore accommodation will be secured within and outside of the borough, and also meet any probation restrictions. Accommodation will be secured by the Housing Division and partners to meet legislative requirements and also the Council's property standards.

3.2.6 Virtual School Grant - £100k

Funding has been announced and non-statutory guidance has been published to extend the role of the Virtual School Head to promote the education of all children with a social worker. Bromley will receive £100k for the financial year, up to 31 March 2022. The Guidance states: "This funding is intended to provide Virtual School Heads with the additional capacity they require to become the strategic leader that promotes educational outcomes for children with a social worker. Local authorities must not use this funding for any other purpose

The intention is to create a leadership role within the team to oversee previous new duties (previously looked-after children) and these new duties. A new education advisor role will also be created who will pick up case work in both areas and support with training advice and guidance to professionals. The remaining funds will be spent on attendance monitoring services for children on children protection plans.

3.2.7 Reducing Parental Conflict Grant - £22k

The Reducing Parental Conflict (RPC) Workforce Development Grant (WDG) is available during the financial year 2021/22. This grant will enable Councils to develop staff skills and capability to identify parents experiencing parental conflict, deliver specialist interventions and provide other support to reduce parental conflict. The funding will be used for training to upskill the workforce who are dealing with families experiencing parental conflict.

3.3 Carry Forwards from 2020/21 to 2021/22

3.3.1 After allowing for government grant funding, a net sum of £816k has been carried forward into 2021/22 from underspends in 2020/21. This was approved by the Executive on the 30th June

2021 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 In previous years this process has been managed through the PDS's and carry forwards have been agreed by the respective Portfolio Holders after scrutiny at the PDS. As the PDS are not due to meet for the next few months, PDS's will now not be able to discuss these until September at the earliest. This means that technically any brought forward balance cannot be utilised until that point. In many cases this is not feasible as the expenditure is needed to be incurred straightaway.
- 3.3.3 In order to rectify this situation, it is proposed that a Portfolio Holder can agree to the brought forward balances being utilised outside of the PDS process for 2021/22. The brought forward balances will in due course be reported back to the PDS at the next available PDS Committee meeting. The Executive are asked to approve this approach.
- 3.3.2 The carry forwards being requested are summarised in the table below and details will be reported to the relevant PDS Committee as described above. Details of the brought forward balances are also contained in Appx 4. The figures contained in this report assume that these requests will be agreed:

	£'000
Renewal, Recreation and Housing	8,076
Adult Care and Health	9,255
Public Protection & Enforcement	161
Children, Education & Families	1,175
Environment & Community	750
Resources, Commissioning & Contracts	644
	20,061
Government Grant Income	Cr 19,245
Total Net Carry Forwards Requested for Drawdown this Cycle	816

3.4 General Fund Balances

- 3.4.1 The level of general reserves is currently projected to reduce by £2,843k to £17,157k at 31st March 2022 as detailed below:

	2021/22 Projected Outturn £'000
General Fund Balance as at 1st April 2021	Cr 20,000
Net Variations on Services & Central Items (para 3.1)	2,027
	Cr 17,973
Adjustment to Balances:	
Carry Forwards (funded from underspends in 2020/21)	816
General Fund Balance as at 31st March 2022	Cr 17,157

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:

	2020/21 Budget £'000	2021/22 Impact £'000
Adult Care & Health Portfolio		
Assessment & Care Management - Care Placements	26,217	836
Learning Disabilities - Care Placements & Care Management	38,666	784
Mental Health - Care Placements	8,019	Cr 281
		1,339
Renewal, Recreation & Housing		
Housing Needs - Temporary accommodation	6,582	295
		295
Children, Education & Families Portfolio		
Children's Social Care	38,575	3,327
		3,327
TOTAL		4,961

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 balanced budget is projected for net investment income which takes into consideration the following:

- (i) Rental Income remains under pressure following the impact of COVID on businesses and their ability to pay rents. A bad debt provision of £1.7m was made in 2020/21 against outstanding amounts at 31 March 2021 which should limit the impact of businesses that may fail over the course of the year.
- (ii) The budget as a whole was reduced compared with that of 2020/21 by close to £650k and at this stage of the year it is hoped that this will mean this year's budget is achievable despite the market conditions.

3.7 Interest on Balances

3.7.1 The Bank of England base rate remained at 0.10% during 2020/21, and this led to new core investments being taken out at lower rates; this is projected to have an impact over the next few years as the core investments taken out at higher rates mature and are replaced by investments at lower rates.

3.7.2 The treasury management strategy has previously been revised to enable alternative investments of £100m which will generate additional income of around £2m compared with lending to banks.

3.7.3 Although the Council has seen a significant reduction in the rates offered for new fixed-term investments as well as overnight money market funds, as part of the treasury management

strategy there are a number of existing longer-term fixed investments at higher rates that are continuing to cushion the Council from the impact of the drop in interest rates.

- 3.7.4 For 2021/22 the budgeted income has been maintained at £3,591k and current projections indicate that outturn will be in line with budget.

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 The DSG projected to overspend by £3,214k. This will be added to the £1,139k carried forward from 2020/21. This gives an estimated DSG deficit balance to be carry forward of £4,353k 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. There is also due to be an adjustment to the carry forward figure for Early Years Prior Year Adjustment. This should be announced during July. Officers are working on a deficit recovery plan ahead of this being required by the DfE.

3.9 Investment Fund and Growth Fund

- 3.9.1 Full details of the current position on the Investment Fund and the Growth Fund were included in the Capital Outturn 2020/21 reported to the Executive on 30th June 2021. The uncommitted balances stand at £12.5m for the Investment Fund and £12.7m for the Growth Fund.

3.10 Local Council Tax Support Grant 2021/22

- 3.10.1 The Council has been allocated £2.3m Local Council Tax Support grant for 2021/22. This is an un-ringfenced grant that has been awarded in recognition of the additional costs of supporting households with financial difficulties as a result of the pandemic. Owing to timing differences that relate to the operation of the Collection Fund, it is recommended that an equivalent amount will be set aside in the Earmarked Reserve to compensate the General Fund in 2023/24 for the related costs.

3.11 Financial Context

- 3.11.1 The 2021/22 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 2021/22 Council Tax report to Executive in February 2021.
- 3.11.2 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.
- 3.11.3 The 2021/22 Council Tax report identified a budget gap of £14.1m per annum by 2024/25. 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.

- 3.11.4 The Council has received significant financial support from Government during the Covid pandemic with funding provided in 2020/21 and 2021/22.
- 3.11.5 It is clear that there are potential additional cost pressures facing the Council due to the impact of the pandemic which includes for example:
- Ongoing impact of increase in referrals for children social care;
 - 'Long Covid' effect on adult social care activity and costs;
 - Potential increase in homelessness costs following end of furlough and national eviction ban;
 - Reduced income remaining from car parking and other income sources;
 - Ongoing challenges relating to debt recovery (partly due to required delay enforcement action for income recovery);
 - Ongoing impact of significant increase in working age council tax support claimants (increase of around 12% to date).
- 3.11.6 Some of these changes have been incorporated in the 2021/22 Budget but there remains uncertainty about the ongoing impact arising from the 'new normal'. The Government have provided unringfenced general funding of around £10m in 2021/22, which is a one year settlement figure. The Government have indicated that there will be a Fair Funding review and combined with the Spending Review and business rate review will determine 2022/23 local government finance settlement. However, the Government has not committed to further funding in 2022/23.
- 3.11.7 Given the uncertainty and the cost pressures that will impact in 2022/23 and future years from the impact of the pandemic any unused unringfenced COVID grant is likely to be set aside to support the 'new normal' going forward. Members will also be aware that one of the most significant cost pressures facing the Council relates to homelessness costs and that significant savings could be delivered through investment in accommodation for homeless families. Therefore any unused sums in contingency could be used to contribute towards investment in housing to deliver savings on the council's future revenue budget. This would require the approval of the Executive in due course.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

- 4.1 The 2021/22 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 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.
- 5.2 The "2021/22 Council Tax" report highlighted the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2021/22 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 2020/21 – Executive 30 th June 2021; 2021/22 Council Tax – Executive 10th February 2021; Draft 2021/22 Budget and Update on Council’s Financial Strategy 2022/23 to 2024/25 – Executive 13 th January 2021; Treasury Management Annual Investment Strategy 2021/22 and Quarter 3 performance– Council 1 st March 2021; Financial Management Budget Monitoring files across all portfolios.