

**Decision Maker:** EXECUTIVE

**Date:** Thursday 30 November 2022

**Decision Type:** Non-Urgent Executive Non-Key

**Title:** BUDGET MONITORING 2022/23

**Contact Officer:** David Bradshaw, Head of Finance  
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**Chief Officer:** Director of Finance

**Ward:** Borough Wide

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1. Reason for report

1.1 This report provides the first budget monitoring position for 2022/23 based on expenditure and activity levels up to the end of September 2022. 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 £9,568k is forecast based on information as at July 2022.
- (c) consider the comments from Chief Officers detailed in Appendix 2;
- (d) note a projected reduction to the General Fund balance of £1,478k as detailed in section 3.3;
- (e) note the full year cost pressures of £9.369m as detailed in section 3.4;
- (f) agree to the release of funding from the 2022/23 central contingency as detailed in paragraphs 3.2.2 to 3.2.6;
- (g) agree to the release of £314k from the CEF Health Reserve Fund for expenditure in the CEF department as detailed in para. 3.8;

**(h) 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: £229.9m
  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): 2,181 fte posts (per 2022/23 Budget) which includes 483 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 2022/23 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 £9,568k within portfolio budgets and a £8,555k credit variation on investment income, central items and prior year adjustments.

3.1.2 A summary of the 2022/23 budget and the projected outturn is shown in the table below:

|                                                      | 2022/23<br>Original<br>Budget<br>£'000 | 2022/23<br>Latest<br>Budget<br>£'000 | 2022/23<br>Projected<br>Outturn<br>£'000 | 2022/23<br>Variation<br>£'000 |
|------------------------------------------------------|----------------------------------------|--------------------------------------|------------------------------------------|-------------------------------|
| <b>Portfolio</b>                                     |                                        |                                      |                                          |                               |
| Adult Care & Health                                  | 79,216                                 | 79,184                               | 79,131 Cr                                | 53                            |
| Children, Education & Families (inc. Schools Budget) | 49,594                                 | 50,516                               | 58,821                                   | 8,305                         |
| Environment & Community                              | 34,294                                 | 35,838                               | 35,716 Cr                                | 122                           |
| Public Protection & Enforcement                      | 2,645                                  | 2,629                                | 2,725                                    | 96                            |
| Renewal, Recreation & Housing                        | 14,502                                 | 15,619                               | 16,381                                   | 762                           |
| Resources, Commissioning & Contracts Management      | 43,841                                 | 46,116                               | 46,696                                   | 580                           |
| <b>Total Controllable Budgets</b>                    | <b>224,092</b>                         | <b>229,902</b>                       | <b>239,470</b>                           | <b>9,568</b>                  |
| Capital Charges and Insurance                        | 11,399                                 | 11,399                               | 11,399                                   | 0                             |
| Non General Fund Recharges                           | Cr 1,461                               | Cr 1,461                             | Cr 1,461                                 | 0                             |
| <b>Total Portfolio Budgets</b>                       | <b>234,030</b>                         | <b>239,840</b>                       | <b>249,408</b>                           | <b>9,568</b>                  |
| Income from Investment Properties                    | Cr 9,166                               | Cr 8,666                             | Cr 8,481                                 | 185                           |
| Interest on General Fund Balances                    | Cr 2,841                               | Cr 2,841                             | Cr 5,841                                 | Cr 3,000                      |
| <b>Total Investment Income</b>                       | <b>Cr 12,007</b>                       | <b>Cr 11,507</b>                     | <b>Cr 14,322</b>                         | <b>Cr 2,815</b>               |
| Contingency Provision                                | 18,208                                 | 10,400                               | 4,660 Cr                                 | 5,740                         |
| Other Central Items                                  | Cr 8,901                               | Cr 6,938                             | Cr 6,938                                 | 0                             |
| General Government Grants & Retained Business Rates  | Cr 48,395                              | Cr 48,395                            | Cr 48,395                                | 0                             |
| Collection Fund Surplus                              | Cr 4,100                               | Cr 4,100                             | Cr 4,100                                 | 0                             |
| <b>Total Central Items</b>                           | <b>Cr 43,188</b>                       | <b>Cr 49,033</b>                     | <b>Cr 54,773</b>                         | <b>Cr 5,740</b>               |
| <b>Total Variation on Services and Central Items</b> | <b>178,835</b>                         | <b>179,300</b>                       | <b>180,313</b>                           | <b>1,013</b>                  |
| Prior Year Adjustments                               | 0                                      | 0                                    | 0                                        | 0                             |
| <b>Total Variation</b>                               | <b>178,835</b>                         | <b>179,300</b>                       | <b>180,313</b>                           | <b>1,013</b>                  |

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 2022/23 Central Contingency are included in Appendix 4.

3.2.2 Libraries IT refresh - £515k

The library services includes a contractual commitment to fund IT refresh costs of £515k in

year 6 of the contract. That contract year commences next month so we are due to make this payment within the next 12 months.

### 3.2.3 Agency workers - (£260k)

When the agency staff contract was retendered there was an element of saving that was attributed to departments via their usage. This amount has been distributed across the departments on this basis.

### 3.2.4 ICS funding - £612k

This is non recurrent funding and has been used to enable the continuation of 2021/22 Winter Pressures schemes into the 2022/23 financial year in line with continued discharge demand and to fund additional capacity over winter 2022/23. Specific activities that will be funded over this winter include additional capacity for social care teams and the Placement Service and the provision of an admissions avoidance bed.

### 3.2.5 New Homes Bonus Regeneration - £73k

Improvements to Penge High Street were one of four projects that the London LEP had agreed to fund from the New Homes Bonus top slice grant. These works were due to take place in previous years and £72,521 was carried forward from 2020/21. These improvements are now planned to be delivered in 2022/23, therefore a request has been made to draw this funding down.

### 3.2.6 TTF Funding - £490k

This grant is to fund the development of an ongoing programme to support families who have multi-faceted problems including involvement in crime and anti-social behaviour with children not in education, training or employment. This support is delivered through a number of work streams cross cutting across council departments and agencies. As the grant is only confirmed for one year only it is held in contingency. The Portfolio Holder has previously agreed the release of the carry forward amount of £334k in September. Therefore, this will give a total in year budget of £824k which will enable the service to provide the TTF function as described.

## 3.3 General Fund Balances

3.3.1 The level of general reserves is currently projected to reduce by £1,478k to £18,522k at 31<sup>st</sup> March 2023 as detailed below:

|                                                       | 2022/23<br>Projected<br>Outturn<br>£'000 |
|-------------------------------------------------------|------------------------------------------|
| <b>General Fund Balance as at 1st April 2022</b>      | <b>Cr 20,000</b>                         |
| Net Variations on Services & Central Items (para 3.1) | 1,013                                    |
|                                                       | Cr 18,987                                |
| Adjustment to Balances:                               |                                          |
| Carry Forwards (funded from underspends in 2021/22)   | 465                                      |
| <b>General Fund Balance as at 31st March 2023</b>     | <b>Cr 18,522</b>                         |

## 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:

|                                                           | <b>2022/23</b> | <b>2023/24</b>             |
|-----------------------------------------------------------|----------------|----------------------------|
|                                                           | <b>Budget</b>  | <b>Impact</b>              |
|                                                           | <b>£'000</b>   | <b>£'000</b>               |
| <b>Adult Care &amp; Health Portfolio</b>                  |                |                            |
| Assessment & Care Management - Care Placements            | 28,203         | 613                        |
| Learning Disabilities - Care Placements & Care Management | 42,248         | 1,391                      |
| Mental Health - Care Placements                           | 6,550          | Cr 80                      |
|                                                           |                | <u>1,924</u>               |
| <b>Environment and Community Portfolio</b>                |                |                            |
| Waste Services                                            | 20,463         | Cr 800                     |
| Parking                                                   | Cr 8,962       | 1,000                      |
|                                                           |                | <u>200</u>                 |
| <b>Renewal, Recreation &amp; Housing</b>                  |                |                            |
| Supporting people                                         | 1,070          | Cr 94                      |
| Housing Needs - Temporary accommodation                   | 5,990          | Cr 84                      |
|                                                           |                | <u>Cr 178</u>              |
| <b>Children, Education &amp; Families Portfolio</b>       |                |                            |
| SEN Transport                                             | 6,480          | 851                        |
| Children's Social Care                                    | 42,257         | 6,572                      |
|                                                           |                | <u>7,423</u>               |
| <b>TOTAL</b>                                              |                | <u><u><b>9,369</b></u></u> |

3.4.2 The full year impact of the current years spend, including any mitigation required, will need to be considered as part of the 2023/24 budget which will be reported to a future meeting of the Executive. 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 The impact of Covid and changing consumer habits has resulted in pressure on high street retail trading in recent years, with one significant tenant – Arcadia – going into administration resulting in a loss of rent this year of £685k. Although a new lease has recently been agreed for that site, the new reduced rental will only be payable after an initial rent-free period.

3.5.2 Generally, rental Income remains under pressure following the impact of COVID on businesses and their ability to pay rents. However, the Council has set aside provision for bad debts against outstanding amounts as at 31 March 2022 to mitigate the financial impact of businesses that may fail over the course of the year.

### 3.6 Interest on Balances

3.6.1 The budget for 2022/23 was set at £2,841k (2021/22: £3,591k). This reflected an expected reduction in balances available for investment as a result of the utilisation of capital receipts and grants/contributions as well as earmarked revenue reserves. The loss of income from the

reduction in balances will be partly offset by anticipated further increases in the Bank of England base rate which will drive improved counterparty rates. New core fixed-interest investments taken out during the first quarter of 2022/23 were at an average rate of 2.9%.

- 3.6.2 Reports to previous meetings have highlighted the fact that options with regards to the reinvestment of maturing deposits had become limited in recent years following bank credit rating downgrades and the prevailing low interest rate environment. Changes to lending limits and eligibility criteria, as well as the introduction of pooled funds and housing associations have alleviated this to some extent.
- 3.6.3 Additionally, the treasury management strategy has previously been revised to enable alternative investments of £100m in pooled investments which generate additional income of approximately £2m compared with lending to banks and officers continue to look for alternative investment opportunities, both within the current strategy and outside, for consideration as part of the ongoing review of the strategy.
- 3.6.4 Owing to base rate increases in May, June, August and September 2022 counterparty rates have continued to improve and are currently in excess of 4.25%. On this basis, the current projection indicates that outturn will exceed budget by £3m.

### **3.7 The Schools Budget**

- 3.7.1 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.
- 3.7.2 The DSG projected to overspend by £4,016k. This will be added to the £7,142k carried forward from 2021/22. There has also been a prior year adjustment to the Early Years element of the DSG which reduced in year funding by £178k causing an additional pressure. This gives an estimated DSG deficit balance to be carry forward of £11,336k 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. Officers are working on a deficit recovery plan ahead of this being required by the DfE.

### **3.8 Health contributions held in reserve - £314k**

- 3.8.1 In discussion with the CCG concerning additional costs and pressures emerging in the Children, Education and Families Portfolio in the 2022/23 financial year, the CCG agreed to a one off contribution of £314k to support additional costs. The funding was paid in 2021/22 but relates to expenditure to be incurred in 2022/23. The activities include funding for non-recurrent Speech and Language Therapy, a contribution to a Local Offer Development Officer (LODO) and a contribution to Council staffing. It is recommended to the Executive that this funding be taken from the reserve to offset expenditure incurred in 2022/23.

### **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 Q2 2022/23 which will be reported to Executive in November 2022. The uncommitted balances stand at £6.5m for the Investment Fund and £11.4m for the Growth Fund.

### **3.10 Financial Context**

- 3.10.1 The 2022/23 Council Tax report to Executive on 9th February 2022 identified the latest financial projections and a future year budget gap of £19.5m per annum by 2025/26. Since that report, the budget gap will increase due to significant recent financial challenges relating

to higher levels of inflation, potential costs of adult social care reform (identified in 2022/23 council tax report) needing to be quantified and potential changes to the statutory override position impacting on funding for Dedicated Schools Grant deficits. An initial update was provided in the Members Finance Seminar in May 2022 and a further update will be provided to a future meeting of the Executive.

3.10.2 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. A significant proportion of the central contingency sum has been utilised towards meeting higher inflation costs and providing one off funding as identified in this report.

#### **4. IMPACT ON VULNERABLE ADULTS AND CHILDREN**

4.1 The 2022/23 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 “Making Bromley even Better” 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 “2022/23 Council Tax” report highlighted the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2022/23 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.

|                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Non-Applicable Sections:</b>                       | Personnel, Legal, Procurement                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Background Documents:<br>(Access via Contact Officer) | Provisional Final Accounts 2020/21 – Executive 29 <sup>th</sup> June 2022;<br>2022/23 Council Tax – Executive 9 <sup>th</sup> February 2022;<br>Draft 2022/23 Budget and Update on Council’s Financial Strategy 2022/23 to 2025/26 – Executive 12 <sup>th</sup> January 2022;<br>Treasury Management Annual Investment Strategy 2022/23 and Quarter 3 performance– Council 28 <sup>th</sup> February 2022;<br>Financial Management Budget Monitoring files across all portfolios. |