

Decision Maker: **PORTFOLIO HOLDER FOR RENEWAL, RECREATION AND HOUSING**

For Pre-Decision Scrutiny by the Renewal, Recreation and Housing Policy Development and Scrutiny Committee on:

Date: **21st March 2023**

Decision Type: Non-Urgent Executive Non-Key

Title: **BUDGET MONITORING 2022/23**

Contact Officers: James Mullender, Head of Finance (Adults, Health & Housing)
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Chief Officer: Director of Housing, Planning and Regeneration

Ward: All Wards

1. Reason for report

- 1.1 This report provides the second revenue budget monitoring position for 2022/23 for the Renewal, Recreation and Housing Portfolio based on expenditure and activity levels for the second quarter of the financial year.
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2. **RECOMMENDATION(S)**

2.1 **The Renewal, Recreation and Housing PDS Committee is requested to:**

- i) **Note the projected net overspend of £805k on controllable expenditure based on information as at December 2022.**

2.2 **The Renewal, Recreation and Housing Portfolio Holder is requested to:**

- i) **Note the projected net overspend of £805k on controllable expenditure based on information as at December 2022.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: None directly arising from this report
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Corporate Policy

1. Policy Status: Sound financial management
 2. MBEB Priority: To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents
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Financial

1. Cost of proposal: Not Applicable
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: RR&H Portfolio Budgets
 4. Total current budget for this head: £15.6m
 5. Source of funding: Existing revenue budget 2022/23
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Personnel

1. Number of staff (current and additional): 190 Full time equivalent
 2. If from existing staff resources, number of staff hours: Not applicable
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Legal

1. Legal Requirement: Statutory Requirement: The statutory duties relating to financial reporting are covered within the Local Government Act 1972; the Local Government Finance Act 1998; the Accounts and Audit Regulations 1996; the Local Government Act 2000 and the Local Government Act 2002
 2. Call-in: Applicable: Portfolio Holder decision.
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Procurement

1. Summary of Procurement Implications: Not Applicable
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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, service plans etc. which impact on all of the Council's customers (including council tax payers) and users of the services.
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Ward Councillor Views

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

3. COMMENTARY

3.1 The 2022/23 projected outturn for Renewal, Recreation and Housing Portfolio is detailed in Appendix 1A, broken down over each division within the service. Appendix 1B gives explanatory notes on the movements in each service. The current position is a projected overspend of £805k on the controllable budget, and some of the main variances are highlighted below.

3.2 The main variations are summarised in the table below:

	£'000
Building Control income	213
Planning & land Charges	164
Culture	15
Supporting People Contracts	Cr 102
Temporary Accommodation	893
Housing Support	Cr 378
	<u>805</u>

4. COMMENTS FROM THE DIRECTOR OF HOUSING, PLANNING & REGENERATION

4.1 £1,116k of growth was included in the housing budget for 2022/23 to reflect the continuing pressures in relation to homelessness and the provision of temporary accommodation. A total of £1,785k savings was also included to mitigate these pressures.

4.2 Whilst approaches remain high, the ongoing supply of acquired properties and prevention work has continued to slow the rate of growth in nightly paid accommodation placements. However, the number of approaches are starting to rise alongside increased pressure on nightly paid accommodation rates across London and the South East. This results in a £747k overspend on temporary accommodation, with a £413k overspend on housing overall. As has been reported work is ongoing to increase the supply of affordable housing to continue to mitigate and reduce the current pressures relating to temporary accommodation particularly in relation to the increased ability to secure leased accommodation within temporary accommodation subsidy rates however this is becoming increasingly challenging due to the current inflation rises in relation to accommodation costs.

4.3 A substantial part of Planning Services' work attracts a fee income for the Council, for example the planning application fees. The fee income and volume of work reflects the wider economic circumstances affecting development pressures in the Borough. There is a risk of income variation beyond the Council's immediate control; however, trends are regularly monitored in order that appropriate action can be taken. Action has successfully been taken to negate the risk of Government Designation for Special Measures due to Planning performance for the current year. However, this is based on the actions identified being implemented to reduce the risk of Government Designation in future years.

4.4 There is a risk of substantial planning appeal costs being awarded against the Council by the Planning Inspectorate if the Council is found to have acted unreasonably. For major appeals, which can arise unpredictably, there is often a need for specialist external consultant's advice which creates additional costs.

4.5 The key risks in the Renewal, Recreation and Housing Portfolio continue to be:

- i) Increased homelessness and the associated costs particularly relating to the increased demand for placements across London
- ii) Increased rent arrears arising from inflation and increased costs of utilities and so forth

- iii) Reduced vacant housing association properties coming forward for letting
- iv) Increased maintenance and repairs costs in relation to the travellers site required to maintain health and safety standards
- v) Fluctuations in planning applications and need to ensure application processing is sufficiently resourced
- vi) Increases being seen in construction and maintenance costs

4.6 Finally, the ongoing impacts of the Covid-19 pandemic on budgets are now becoming apparent. Significant losses in income, from commercial rents, are expected as town centres have been severely affected during lockdown restrictions. The impact of increased utility and maintenance costs is also impacting on tenants of commercial properties and their ability to maintain rental payments.

5. POLICY IMPLICATIONS

5.1 One of the “Making Bromley Even Better” ambitions is to manage our resources well, providing value for money, and efficient and effective services for Bromley’s residents and to meet this we will need to maintain a relentless focus on efficiency, outcomes of services and prudent management of our finances.

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 to minimise the risk of compounding financial pressures in future years.

5.3 Chief Officers and Departmental Heads of Finance are continuing to place emphasis on the need for strict compliance with the Council’s budgetary control and monitoring arrangements.

6. FINANCIAL IMPLICATIONS

6.1 Overall the current projected overspend position stands at £805k. A detailed breakdown of the projected outturn by service area is shown in appendix 1A with explanatory notes in appendix 1B. Other financial implications are contained in the body of this report and Appendix 1B provides more detailed notes on the major services.

6.2 Costs attributable to individual services have been classified as “controllable” and “non-controllable” in Appendix 1. Budget holders have full responsibility for those budgets classified as “controllable” as any variations relate to those factors over which the budget holder has, in general, direct control.

6.3 “Non-controllable” budgets are those which are managed outside of individual budget holder’s service and, as such, cannot be directly influenced by the budget holder in the shorter term. These include, for example, building maintenance costs and property rents which are managed by the Property Division but are allocated within individual departmental/portfolio budgets to reflect the full cost of the service. As such, any variations arising are shown as “non-controllable” within services but “controllable” within the Resources, Commissioning and Contracts Management Portfolio. Other examples include cross departmental recharges and capital financing costs.

6.4 This approach, which is reflected in financial monitoring reports to budget holders, should ensure clearer accountability by identifying variations within the service that controls financial performance. Members should specifically refer to the “controllable” budget variations relating to portfolios in considering financial performance.

Non-Applicable Sections:	Legal, Personnel and Procurement Implications
Background Documents: (Access via Contact Officer)	2022/23 Budget Monitoring files in ECS and ECHS Finance Section

Renewal, Recreation & Housing Budget Monitoring Summary

2021/22 Actuals £'000	Division Service Areas	2022/23 Original Budget £'000	2022/23 Latest Approved £'000	2022/23 Projected Outturn £'000	Variation £'000	Notes	Variation Last Reported £'000	Full Year Effect £'000
	PLACE DEPARTMENT							
	Planning							
99	Building Control	90	90	303	213	1	244	0
Cr 128	Land Charges	Cr 126	Cr 126	Cr 62	64	2	0	0
1,707	Planning	1,493	1,677	1,777	100	3	0	0
1,678		1,457	1,641	2,018	377		244	0
	Culture & Regeneration							
908	Culture	830	1,031	1,046	15	4	25	0
4,649	Libraries	4,873	5,442	5,442	0		0	0
23	Economic Development	80	262	262	0		0	0
5,580		5,783	6,735	6,750	15		25	0
	Operational Housing							
1,314	Housing Strategy, Advice and Enabling	1,460	1,477	1,528	51	5	51	0
Cr 1,089	Housing Benefits	Cr 1,539	Cr 1,539	Cr 1,539	0		0	0
Cr 175	Housing Improvement	Cr 30	Cr 31	Cr 74	Cr 43	6	Cr 33	0
6,406	Allocations and Accommodation	4,295	4,291	5,184	893	7	655	324
877	Supporting People	1,070	1,044	942	Cr 102	8	Cr 118	Cr 94
1,488	Housing Options and Support	2,006	2,001	1,615	Cr 386	9	Cr 62	0
8,821		7,262	7,243	7,656	413		493	230
16,079	Total Controllable	14,502	15,619	16,424	805		762	230
2,141	TOTAL NON CONTROLLABLE	Cr 883	Cr 990	Cr 990	0		0	0
5,555	TOTAL EXCLUDED RECHARGES	5,627	5,627	5,627	0		0	0
23,775	TOTAL RR & H PORTFOLIO TOTAL	19,246	20,256	21,061	805		762	230

Reconciliation of Latest Approved Budget		£'000
Original budget 2022/23		19,246
Carry Forward Requests approved from 2021/22		
Rough Sleepers Initiative Grant expenditure		228
Rough Sleepers Initiative Grant income	Cr	228
Homelessness Reduction Grant		89
Homelessness Reduction Grant	Cr	89
New Burdens Funding Grant expenditure		124
New Burdens Funding Grant income	Cr	124
Local Plan Implementation		120
New Homes Bonus - Regeneration		73
Central Contingency Adjustments		
Accommodation for Ex-Offenders expenditure		70
Accommodation for Ex-Offenders income	Cr	70
Rough Sleepers Initiative Grant expenditure		455
Rough Sleepers Initiative Grant income	Cr	455
Norman Park grant		151
Libraries contract inflation		54
Resources to address Planning minor applications backlog		90
Funding of Economic Development posts		109
Local London membership subscription		50
Libraries refresh		515
Provision for agency workers contract savings	Cr	14
Homes for Ukraine expenditure		821
Homes for Ukraine grant	Cr	821
Homeless Prevention Initiatives expenditure		883
Homeless Prevention Initiatives grant	Cr	883
Other		
Local Plan Review funded from Growth Fund		
- expenditure		600
- income	Cr	600
R&M Planned Maintenance adjustment	Cr	107
Adj to NI budget following reversal of 2022-23 increase in November	Cr	31
Latest Approved Budget for 2022/23		<u>20,256</u>

REASONS FOR VARIATIONS**1. Building Control Dr £213k**

For the chargeable service, an income deficit of £193k is projected based on actual income so far this year. A review of fees and charges was carried out in Q2 to ensure the service complies with Building Account Regulations, which requires that the service operates on a full cost recovery basis (i.e. does not make a surplus or is subsidised on an ongoing basis). Revised charges were implemented on 1 October, which is helping to increase income and has reduced the forecast shortfall by £51k from Q2. A £20k overspend is forecast on the salaries budget, mainly due to use of agency staff to cover vacancies. In accordance with the Regulations, any surplus or deficit in year is charged to or funded from the Building Control Charging Account earmarked reserve and would leave a total deficit balance of £235k to recover from income in future years.

2. Land Charges Dr £64k

A £52k shortfall of land charges income compared to budget is now being forecast, due to reduced activity in Q3. There is also a £12k overspend forecast on the staffing budget, resulting in an overall overspend now being forecast of £64k.

3. Planning Dr £100k

A £187k shortfall of planning fee income compared to budget is now being forecast, as receipts in the first three quarters of this financial year have been significantly lower than last year. There are, however, underspends on the salaries budget due to vacancies, which results in a net overspend being forecast of £100k.

4. Culture Dr £15k

Following the death of HM Queen, the borough's Operation London Bridge plan was enacted. This generated costs that had not been budgeted for at the start of the year in relation to the ceremonies the borough was required to deliver, the screening of the funeral, and the production of a memorial quilt which is ongoing.

5. Housing Strategy, Advice and Enabling Dr £51k

There are three posts within the service which are unfunded. Options to address this are being reviewed and some short-term funding identified to ease some of the pressures on this service area.

6. Housing Improvement Cr £43k

In year vacancies during a period of recruitment are expected to result in an underspend of £43k.

7. Allocations and Accommodation Dr £893k

There is currently a forecast overspend of £1,630k in the Temporary Accommodation before projected savings from increasing the supply of affordable housing. For this round of budget monitoring the number of Households in Temporary Accommodation was 1,064. It is currently expected that this will increase to 1,109 by the end of the financial year, at an average cost of around £7,110 per household per annum. This is partly offset by the Homeless Prevention

Initiatives allocation in contingency and exceptional winter top up of the Homeless Prevention Grant top totalling £883k which are being requested for draw down this cycle.

These figures exclude other schemes like More Homes Bromley, Orchard & Shipman, ex-residential care homes, and the Bromley Private Sector Leasing Scheme. Once these client numbers have been included there are currently over 1,551 households in Temporary Accommodation.

Transformation savings totalling £1,286k were identified at the start of 2022-23 to provide a longer-term alternative to expensive nightly paid accommodation. Included in this Meadowship Homes (£1,043k) and (Burnt Ash Lane £39k) continue to progress and schemes at Bushell Way, Anerley Town Hall car park and Beehive are now complete. Savings of £127k are expected to be achieved over the remainder of the financial year. The Full Year Effect of these savings is estimated at around £2.2m.

There is also currently a forecast overspend on salaries of £25k. This is due mainly to the cost of funding two short term posts to meet the additional workload created by the new schemes. There are some vacancies within the service which are partly offsetting this additional cost.

						£'000
Summary of overall variations within Allocations and Accommodation:						
Temporary Accommodation						747
More Homes Bromley Guarantee						248
Transformation Savings still to be delivered						Cr 127
Salaries						25
Total variation for Allocations and Accommodation						893

8. Supporting People Cr £102k

A £102k underspend is currently forecast in the Supporting People area mainly as a result of procurement exercises during 2021/22 and 2022/23 containing costs within inflation that had accumulated in the budget whilst the previous contracts had been fixed for a number of years. There has been a virement of £26k from this budget to the HOPE contract in the Housing Strategy, Advice and Enabling service area to fund in-year one off additional costs.

9. Housing Options and Support Cr £386k

There are a number of vacancies within the service and some posts are difficult to fill. Temporary posts have been created to try and address this. The current projected underspend is £63k.

There is a forecast underspend of £325k on the work carried out around Homelessness Prevention, which is been impacted on by the challenges in recruiting staff during the course of the financial year.

The Travellers budget has been realigned during the 2022-23 budget setting process and this should reduce some of the previous variances including the running costs and fee income. The Traveller Site Manager post continues to be difficult to fill and will result in an in-year underspend on salaries.

Waiver of Financial Regulations:

The Council's Contract Procedure Rules state that where the value of a contract exceeds £50k and is to be exempt from the normal requirement to obtain competitive quotations the Chief Officer must obtain the agreement of the Director of Corporate Services, the Director of Finance and the Director of Commissioning and (where over £100,000) approval of the Portfolio Holder and report use of this exemption to Audit Subcommittee bi-annually. Since the last report to the Executive, no waivers have been actioned.

Virements Approved to date under Director's Delegated Powers

Details of virements actioned by Chief Officers under delegated authority under the Financial Regulations "Scheme of Virement" will be included in financial monitoring reports to the Portfolio Holder. Since the last report to Executive, one virement has been actioned. to implement contract upgrades for the HOPE contract. £26k has been vired from the underspend in Supporting People to the Housing Strategy and Enabling service area. This is one off virement for 2022-23 only.