

Decision Maker: EXECUTIVE

Date: Thursday 29 March 2023

Decision Type: Non-Urgent Executive Non-Key

Title: BUDGET MONITORING 2022/23

Contact Officer: David Bradshaw, Head of Finance
Tel: 020 8313 4807 E-mail: david.bradshaw@bromley.gov.uk

Chief Officer: Director of Finance

Ward: Borough Wide

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 December 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 £9,683k is forecast based on information as at December 2022.
- (c) consider the comments from Chief Officers detailed in Appendix 2;
- (d) note a projected increase to the General Fund balance of £65k as detailed in section 3.3;
- (e) note the full year cost pressures of £13.069m 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 3.2.5;
- (g) agree to the release of £500k from the CEF Health Reserve Fund for expenditure in the CEF department as detailed in para. 3.8;

- (h) agree to set aside £400k for Homes for Ukraine staffing costs for 2023/24 as detailed in para. 3.9;**
- (i) agree to the release of £2m from the Health reserve for the ICB as detailed in para. 3.10;**
- (j) agree to set aside a one off sum of £630k as an earmarked reserve for EHCP's/High Needs costs for 2023/24 and 2024/25 to be met from the 2022/23 central contingency as detailed in para. 3.11;**
- (k) agree to set aside £635k as an earmarked reserve for Legal costs as detailed in para. 3.12 and in Part Two (Appendix 7) of the report;**
- (l) Executive to agree that any unspent Homes for Ukraine funding be set aside as an earmarked reserve to meet ongoing spend commitments, where funding is not available, relating to Homes for Ukraine as detailed in para. 3.13**
- (m) identify any issues that should be referred to individual Portfolio Holders for further action.**

2.2 Council are requested to:

- (n) agree to the release of £2m from the Health reserve for the ICB as detailed in para. 3.10.**

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: £231.146m
 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 £9,683k within portfolio budgets and a £10,253k 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 Original Budget £'000	2022/23 Latest Budget £'000	2022/23 Projected Outturn £'000	2022/23 Variation £'000
Portfolio				
Adult Care & Health	79,216	79,184	79,127 Cr	57
Children, Education & Families (inc. Schools Budget)	49,594	51,611	60,544	8,933
Environment & Community	34,294	35,838	35,289 Cr	549
Public Protection & Enforcement	2,645	2,688	2,896	208
Renewal, Recreation & Housing	14,502	15,619	16,424	805
Resources, Commissioning & Contracts Management	43,791	46,206	46,549	343
Total Controllable Budgets	224,042	231,146	240,829	9,683
Capital Charges and Insurance	11,506	11,506	11,506	0
Non General Fund Recharges	Cr 1,408	Cr 1,562	Cr 1,562	0
Total Portfolio Budgets	234,140	241,090	250,773	9,683
Income from Investment Properties	Cr 9,276	Cr 8,776	Cr 8,591	185
Interest on General Fund Balances	Cr 2,841	Cr 2,841	Cr 6,841	Cr 4,000
Total Investment Income	Cr 12,117	Cr 11,617	Cr 15,432	Cr 3,815
Contingency Provision	18,208	8,318	1,372 Cr	6,946
Other Central Items	Cr 8,901	Cr 5,600	Cr 5,052	548
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
Total Central Items	Cr 43,188	Cr 49,777	Cr 56,175	Cr 6,398
Total Variation on Services and Central Items	178,835	179,696	179,166 Cr	530
Prior Year Adjustments	0	0	0	0
Total Variation	178,835	179,696	179,166 Cr	530

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 Homelessness Prevention Grant - £883k

The Central Contingency included a sum of £424k for Homeless Prevention Initiatives which was previously merged with the Flexible Homelessness Support Grant and Homelessness

Reduction Grant to form the Homelessness Prevention Grant. In addition, in December 2022, the Department for Levelling Up, Housing and Communities announced an exceptional winter top-up to support local authorities to help prevent vulnerable households from becoming homeless and to manage local homelessness pressures. It is requested that the total of £883k is drawn down into Housing budgets to help offset increased temporary accommodation pressures.

3.2.3 SEND Transport - £1,000k

An amount of £1m of growth for 2022/23 was set aside in the contingency. Now that the financial year is coming to an end and that the first part of the SEN Transport review has taken place, the funding is being requested to be drawn down. Overall the service have met the targets set for 2022/23 and this amount completes the overall growth allocation given to the service for the current financial year. It is recommended to the Executive that this be drawn down from the contingency.

3.2.4 Additional Winter Pressures Grant - £2,314k

This funding is one of a number of additional one off funds made to local authorities and Integrated Care Boards in support of winter pressures and hospital discharge over the winter period. This fund is made up of two payments made to the Council and Integrated Care Board that are required to be pooled as part of the local Better Care Fund. The spending of the grant has to be approved by the Health and Wellbeing Board, which it did on 8th December 2022

The use of this additional funding will be limited to projects that enable more people to be discharged to an appropriate setting, including from mental health inpatient settings, with adequate and timely social care support as required. Discharge funds can also be used to support projects that enable the freeing up the maximum number of hospital beds and reducing bed days lost, and to boost general adult social care workforce capacity through recruitment and retention activity, where that will help to reduce delayed discharges from hospital. The grant cannot be used for prevention activities such as admissions avoidance.

3.2.5 Business rates surplus levy- £323k

This is one-off income from the Council's share of the accumulated surplus held in DLUHC's business rates levy account. £100m was returned nationally and Bromley's share was £323k.

3.3 General Fund Balances

3.3.1 The level of general reserves is currently projected to increase by £65k to £20,065k at 31st March 2023 as detailed below:

	2022/23 Projected Outturn £'000
General Fund Balance as at 1st April 2022	Cr 20,000
Net Variations on Services & Central Items (para 3.1)	Cr 530
	<u>Cr 20,530</u>
Adjustment to Balances:	
Carry Forwards (funded from underspends in 2021/22)	465
General Fund Balance as at 31st March 2023	<u>Cr 20,065</u>

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:

	2022/23 Budget £'000	2023/24 Impact £'000
Adult Care & Health Portfolio		
Assessment & Care Management - Care Placements	28,981	2,764
Learning Disabilities - Care Placements & Care Management	42,270	1,192
Mental Health - Care Placements	6,550	4
		<u>3,960</u>
Environment and Community Portfolio		
Waste Services	20,463 Cr	800
Parking	Cr 8,962	1,000
		<u>200</u>
Renewal, Recreation & Housing		
Supporting people	1,070 Cr	94
Housing Needs - Temporary accommodation	5,990	324
		<u>230</u>
Children, Education & Families Portfolio		
SEN Transport	6,480	871
Children's Social Care	43,352	7,808
		<u>8,679</u>
TOTAL		<u><u>13,069</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. The Council are currently in negotiations with a potential retail tenant to replace Arcadia. However to mitigate the in-year impact, an allocation of £500k from contingency has been applied to the budget, resulting in a net shortfall forecast of £185k.

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 third quarter of 2022/23 were at an average rate of 4.81%.
- 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, September, November, December 2022 and February 2023, counterparty rates have continued to improve and are currently in excess of 4.5%. On this basis, the current projection indicates that outturn will exceed budget by £4m.

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 property 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 £4,877k. 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 £12,197k 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. Officers are working on a deficit recovery plan ahead of this being required by the DfE.

3.8 Health contributions held in reserve - £500k

- 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 £500k to support additional placement costs with a health element. The funding was paid in 2021/22 but relates to expenditure to be incurred in 2022/23. This funding relates to health costs within Children Social Care placements for children looked after. It is recommended to the Executive that this funding be taken from the reserve to offset expenditure incurred in 2022/23.

3.9 Use of Homes for Ukraine Grant in 2023/24 - £400k

- 3.9.1 The request to use Homes for Ukraine Grant in 2023/24 is a request that a number of current posts remain in place to enable the Homes for Ukraine service to continue post April 2023. The proposal is for 9fte equivalent to continue in post. This is a reduction from 14.8fte in the current financial year. Funding will come from Homes for Ukraine grant that will be carried forward into the new financial year. The Executive are asked to approve this request.

3.10 Release of funding to the ICB from the Health Reserve - £2m

3.10.1 The integrated health and care programme fund is a joint reserve, held under a section 75 agreement with the NHS to support the joint work on integration of health and social care. This programme is led through the One Bromley Local Care Partnership, which includes as members the South East London Integrated Care Board (Bromley) and the London Borough of Bromley. The programme continues to deliver many joint health and care programmes of work, including the pro-active care pathway delivered by a multi-disciplinary health and care team and the joint work around hospital discharge. Drawdown of £2m from the fund is requested to continue the support and development of these schemes, including the continued funding of the local Bromley delivery team and invest in further joint areas of work. Schemes funded will include joint work on children's placements and the establishment of children's hubs in the community, in both areas working closely with the Borough children and families team.

3.11 Request for funding for education costs to be put into a reserve to meet demand in EHCP's/High Needs - £630k over two years

3.11.1 Like many LAs, Bromley has been significantly impacted by sustained increases in the volume and complexity of special educational needs and disabilities (SEND). These systemic issues have been recognised by Government in its SEND and AP Improvement Plan, published on 2 March 2023, however Government accepts that its reforms will take several years to take effect.

3.12.2 In order to respond to these pressures, the Council has invested in its services for SEND, however to date this has not been sufficient to keep pace with the rate of increases in Education, Health and Care Plans (EHCPs), which have increased at approximately 15% over the last 3 years. This has been exacerbated by challenges in recruiting to key posts, leading to vacancies in the LA and partner agencies. Consequently, LA services and the statutory functions provided by partners have been significantly impacted, leading to a significant drop in performance against timeliness indicators for the 2022 calendar year.

3.11.3 The Children, Education and Families Department has recognised the significant pressures and set out a transformation plan to address the systemic challenges and restructure the SEN Service to meet current and anticipated levels of need. It is proposed to increase the capacity of the Educational Psychology Service through a 12-month contract with a specialist assessment provider. Additionally, it is proposed to establish a new post to oversee SEN complaints and increase the capacity of the Appeals and Mediation Team. A specialist EHC Plan writing agency would be brought in to enable Plans to be produced more rapidly, following the receipt of professional advice. The LA is also working with its key partners in the SEL ICB to increase the capacity of services responsible for producing the advice according to statutory timeframes.

3.11.4 The funding is split out in the table below:-

	<u>2023/24</u>	<u>2024/25</u>	<u>Total</u>
External EHC Plan Writing agency	50	50	100
Complaints and Appeals Officer	55	55	110
Ed Psych statutory advice	420	0	420
	<u>525</u>	<u>105</u>	<u>630</u>

3.12 Request for funding for additional Legal costs - £635k

3.12.1 Executive are requested to set aside £635k in a reserve to cover potential legal costs arising in the next financial year. Details are contained in Part 2 (Appendix 7) of the report.

3.13 Homes for Ukraine Grant – funding remaining

The government has provided support under the Homes for Ukraine scheme towards the Councils costs. Given the nature of the one off funding and the timing of the grant there is expected to be a significant balance remaining at year end where part of the funding has not been utilised. It is difficult to gauge the actual amount that will remain at this stage. However similar to COVID funding arrangements it will be proposed to a future meeting of the Executive that the unspent funding is utilised to meet ongoing Homes for Ukraine costs in 2023/24 and where possible future years.

3.14 Investment Fund and Growth Fund

3.14.1 Full details of the current position on the Investment Fund and the Growth Fund were included in the Capital Programme Monitoring Q3 2022/23 as reported to Executive at its meeting on 18th January. The uncommitted balances stand at £6.5m for the Investment Fund and £11.4m for the Growth Fund.

3.15 Financial Context

3.15.1 As reported, as part of the Council's financial strategy for 2023/24, a prudent approach had 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 proportion of the central contingency sum has been utilised towards meeting higher inflation costs and providing one off funding as identified in this report.

3.15.2 The 2023/24 Council Tax report to Executive on 8th February 2023 identified the latest financial projections and a future year budget gap of £29.6m per annum by 2026/27. The Council's Central Contingency Sum has been reduced significantly in 2023/24 and inflation pressures remain which reduces the flexibility to meet overspends from the Council's overall budget and increases the risk of needing to drawdown from reserves to meet overspends. The report highlighted many financial challenges continuing to face the Council. It is therefore essential that spend can be contained, where possible, to avoid additional cost pressures impacting on 2023/24 and future years. The full year impact of overspends could ultimately increase the reported 'budget gap' for future years requiring further action to achieve a statutory balanced budget. Where overspends are identified, Directors should seek to take any action to address the overspend including mitigation options as well as alternative savings, thus reducing the overall overspend and, where possible, containing costs within overall budgets.

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.

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