
Decision Maker: **EXECUTIVE**

Date: **Wednesday 20 September 2023**

Decision Type: Non-Urgent Executive Non-Key

Title: **BUDGET MONITORING 2023/24**

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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 2023/24 based on expenditure and activity levels up to the end of June 2023. 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.

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 £6,137k is forecast based on information as at June 2023.
- (c) consider the comments from Chief Officers detailed in Appendix 2;
- (d) note the carry forwards being requested for drawdown as set out in para 3.3;
- (e) note a projected reduction to the General Fund balance of £445k as detailed in section 3.4;
- (f) note the full year cost pressures of £9.750m as detailed in section 3.5;
- (g) agree to the release of funding from the 2023/24 central contingency as detailed in paragraphs 3.2.2 to 3.2.15;

- (h) note the use of the Homes for Ukraine grant in para. 3.9;**
- (i) identify any issues that should be referred to individual Portfolio Holders for further action;**

2.2 Council are requested to:

- (a) agree a sum of £1.8m be drawn down from the 2023/24 contingency as detailed in paragraph 3.2.2.**
- (b) agree a sum of £4.25m be transferred to the capital programme as detailed in paragraph 3.2.15.**

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: £256.1m
 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): 2,249 fte posts (per 2023/24 Budget) which includes 481 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 2023/24 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 £6,137k within portfolio budgets and a £6,336k credit variation on investment income, central items and prior year adjustments.

3.1.2 A summary of the 2023/24 budget and the projected outturn is shown in the table below:

	2023/24 Original Budget £'000	2023/24 Latest Budget £'000	2023/24 Projected Outturn £'000	2023/24 Variation £'000
Portfolio				
Adult Care & Health	84,178	85,418	85,868	450
Children, Education & Families (inc. Schools Budget)	55,253	58,087	60,229	2,142
Environment & Community	38,033	38,278	38,901	623
Public Protection & Enforcement	3,228	3,417	3,417	0
Renewal, Recreation & Housing	15,611	15,922	18,401	2,479
Resources, Commissioning & Contracts Management	48,840	49,125	49,568	443
Total Controllable Budgets	245,143	250,247	256,384	6,137
Capital Charges and Insurance	16,604	16,604	16,604	0
Non General Fund Recharges	Cr 938	Cr 938	Cr 938	0
Total Portfolio Budgets	260,809	265,913	272,050	6,137
Income from Investment Properties	Cr 8,777	Cr 6,277	Cr 6,277	0
Interest on General Fund Balances	Cr 9,841	Cr 9,841	Cr 10,841	Cr 1,000
Total Investment Income	Cr 18,618	Cr 16,118	Cr 17,118	Cr 1,000
Contingency Provision	26,631	15,871	12,708	Cr 3,163
Other Central Items	Cr 13,400	Cr 9,600	Cr 11,600	Cr 2,000
General Government Grants & Retained Business Rates	Cr 51,735	Cr 51,735	Cr 51,735	0
Collection Fund Surplus	Cr 14,511	Cr 14,511	Cr 14,511	0
Total Central Items	Cr 53,015	Cr 59,975	Cr 65,138	Cr 5,163
Total Variation on Services and Central Items	189,176	189,820	189,794	Cr 26
Prior Year Adjustments	0	0	Cr 173	Cr 173
Total Variation	189,176	189,820	189,621	Cr 199

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 2023/24 Central Contingency are included in Appendix 4.

3.2.2 Dual running of Civic Centres - £1,800k Dr

There is a report elsewhere on the agenda which refers to the dual running costs arising from the new civic centre acquisition and the cost of the scheme. The report also refers to the

longer term savings from the acquisition of the new site and the disposal of the existing site. There are however additional costs in the current year that needs to be funded that reflects the need for dual running costs. The report requests a sum of £1.8m. This assumes that it is funded from the risk reserve contained within the central contingency This has been reflected in the projections

3.2.3 Star Lane - £150k Dr

In March 2023, the Council purchased a parcel of land adjacent to the Star Lane Traveller Site, known as 18 the Birches.

The site has been assessed and to manage risk to public safety, it is recommended that the buildings and structures on the site are demolished, services are isolated and removed, abandoned vehicles and burnt-out caravans are removed, a manhole cover is replaced, and the site is cleared of general debris. It is also recommended that steps are taken to prevent public access into the site.

The estimated cost for these works, including contingency, is £150k.

3.2.4 Legal Support - £170k Dr

Part of the review of Legal services reported in November 2020, it was agreed to include a sum of £170k to be held in Central Contingency for locum costs for additional childcare and adults social care legal support. Demand for these services has continued this financial year and the full provision has now been drawn down.

3.2.5 Revenue impact of capital financing programme - £2,500k Dr

The 2023/24 budget included a provision of £6.6m for the financial impact of the operational property disposals and any ongoing reduction in income received arising from disposals as well as any financing costs. The final outcome for this year will be dependent on the impact of any slippage on the capital programme as well as any changes in the timing of any disposals. At this stage a sum of £2.5m has been released from the central contingency leaving a balance at this stage of £4.1m. The financial impact will be monitored closely and any changes will be reflected in any future monitoring reports.

3.2.6 ASC Discharge Fund - £1,084k Cr

The Department for Levelling Up, Housing and Communities is providing this funding to support local authorities to build additional adult social care and community-based reablement capacity to reduce hospital discharge delays through delivering sustainable improvements to services for individuals.

3.2.7 Accommodation for Ex Offenders grant - £74k Dr & Cr

The aim of the Accommodation for Ex-Offenders programme (AFEO) is to increase access to new private rented sector tenancies for ex-offenders who are, or are at risk of becoming, homeless. The project is intended to:

- a) Reduce the number of homeless prison leavers sleeping rough on release.
- b) For prison leavers owed a homelessness duty, increase the proportion that secure a PRS tenancy as their outcome, with every individual being in settled accommodation with a minimum expected tenancy length of 12 months.
- c) Increase in the number of offenders that are in settled accommodation 3-months post release.

3.2.8 Rough sleepers initiative grant - £214k Dr & Cr

The Council receives grant funding from the Department of Levelling Up, Homes and Communities (DLUHC) to enable it to undertake work with to tackle rough sleeping. £214k has been received to date out of a total 23/24 funding award of £428k and this funding is proposed to be drawn down to the Housing service revenue budget to support work in this area.

3.2.9 Homelessness Prevention Grant – additional allocation - £363k Dr & Cr

The 2023/24 budget already includes a sum of £3.4m for the Homelessness Prevention Grant which is ringfenced for the following principles:

- a) To fully enforce the Homelessness Reduction Act and contribute to ending rough sleeping by increasing activity to prevent single homelessness.
- b) Reduce family temporary accommodation numbers through maximising family homelessness prevention and reduce the use of unsuitable B&Bs for families.
- c) Ensure financial viability of services by contributing to the costs of statutory duties, including implementing the Homelessness Reduction Act and supporting with the costs of temporary accommodation.

The final allocation of £3.75m is an increase of £363k, and it is requested that this is drawn down to the housing budget, with £69k allocated for Domestic Abuse work in line with the grant allocation, and the remainder used to offset increased temporary accommodation pressures.

3.2.10 Homelessness Prevention Grant HFU top up - £1,117k Dr & Cr

In June 2023, the Government announced a Homes for Ukraine funding top up to the Council's Homelessness Prevention Grant, amounting to £1,117k for LB Bromley. As a top-up to the existing Homelessness Prevention Grant, this grant is ringfenced for homelessness to target those most in need and to ensure local authorities are resourced to take action to prevent homelessness and continue to implement the Homelessness Reduction Act 2017. It is requested that this funding is drawn down to mitigate pressures on the Temporary Accommodation budget.

3.2.11 S31 Leaving Care uplift grant - £68k Dr & Cr

This is a two year allocation of £68k per year. Statutory guidance requires local authorities to provide a leaving care allowance, to enable care leavers to purchase essentials (such as furniture, white goods and carpets/curtains) when they move into their first home. DfE guidance currently recommends that local authorities should pay a minimum of £2,000.

The independent review into children's social care recommended that the minimum amount should be increased. We are increasing the minimum recommended amount to £3,000 from April 2023. The grant was given to cover Bromley's additional costs.

3.2.12 GLA free school meal payment - £6,036k Dr & Cr

The Council has received a one-year (2023/24) grant of £6,036k from the Greater London Assembly for the provision of free school meals (FSM) to Key Stage 3 pupils not eligible under benefit related criteria. The grant criteria indicates an assumption of a 90% take up of meals, with the funding set at £2.65 per meal.

Officers have worked in partnership with Bromley schools, which hold the responsibility for providing free school meals to eligible pupils. Some school leaders have indicated that the level of grant will not meet all costs of extending FSM eligibility at school level, which will create a financial pressure for the school/academy. Schools were provided with the ability to opt out of the scheme, in the event that the associated costs or physical capacity to deliver additional meals was not deemed viable.

The Council will passport funding to Bromley schools in accordance with the grant criteria for the one-year extension of free school meals.

3.2.13 Market sustainability and improvement fund grant - £1,810k Dr & Cr

The Department for Health & Social Care (DHSC) announced a further tranche of MSIF funding in July 2023. It is intended to enable local authorities to make tangible improvements to adult social care, in particular to increase social care capacity through increasing social care workforce capacity and retention, reducing social care waiting times and increasing fee rates paid to social care providers.

3.2.14 ICB funding for hospital discharges - £1,511k Dr & Cr

This is one-off funding to 'secure the continued provision of social care services in line with presenting need and discharge standards.' It is intended that this is used to fund the cost of hospital discharge packages following the cessation of central funding from NHS England during the Covid-19 pandemic.

3.2.15 Transfer of funding to the capital programme - £4.25m

There is a report elsewhere on the agenda which refers to the transfer of funding to the capital programme for Churchill Court. The report requests a sum of £4.25m which comprises of £2m from Building Infrastructure Fund in the central contingency and £2.25m from earmarked reserves. This has been reflected in the projections.

3.3 Carry Forwards from 2022/23 to 2023/24

3.3.1 After allowing for government grant funding, a net sum of £644k has been carried forward into 2023/24 from underspends in 2022/23. This was approved by the Executive on the 5th July 2023 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 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	2,901
Adult Care and Health	6,370
Environment and Community	245
Public Protection	139
Children, Education & Families	1,972
Resources, Commissioning & Contracts	1,052
	12,679
Government Grant Income	Cr 12,035
Total Net Carry Forwards Requested for Drawdown this Cycle	644

3.4 General Fund Balances

- 3.4.1 The level of general reserves is currently projected to reduce by £445k to £19,705k at 31st March 2024 as detailed below:

	2023/24 Projected Outturn £'000
General Fund Balance as at 1st April 2023	Cr 20,000
Net Variations on Services & Central Items (para 3.1)	Cr 199
	Cr 20,199
Adjustment to Balances:	
Carry Forwards (funded from underspends in 2022/23)	644
General Fund Balance as at 31st March 2024	Cr 19,555

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:

	2023/24 Budget £'000	2024/25 Impact £'000
Adult Care & Health Portfolio		
Assessment & Care Management - Care Placements	31,308	3,095
Learning Disabilities - Care Placements & Care Management	42,273	456
Mental Health - Care Placements	6,598	800
		4,351
Renewal, Recreation & Housing		
Supporting people	1,070	Cr 148
Housing Needs - Temporary accommodation	6,418	3,347
		3,199
Children, Education & Families Portfolio		
Children's Social Care	49,440	2,200
		2,200
TOTAL		9,750

- 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 There is a £2.5m projected shortfall on investment income for the 2023/24 financial year due largely to the sale of the Glades site which took place in April. This property contributed £1.9m of income of per annum which will no longer be received, the rest of the gap is due to the pending disposal of the parades which brings in around £1m per annum of income for LBB, this is expected to be fully disposed of by September hence a part year impact. This has been addressed by a budget adjustment from contingency which brings the overall position back to balance.

3.7 Interest on Balances

- 3.7.1 The budget for Interest on Balances for 2023/24 has been set at £9,841k, which was an increase of £7m over the 2022/23 budget. This reflects the significant increase in anticipated interest earnings as a result of the significant increases in the Bank of England base rate, partly offset by 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.
- 3.7.2 At the time the draft 2023/24 budget was prepared, the Council's treasury management advisors, Link Group, were projecting that the base rate would peak at 4.5% in June before starting to fall in 2024. At the time of writing, base rate stands at 5.25% with Link now expecting a further increase to 5.5% in September, and remaining at that rate for the remainder of the financial year. New core fixed-interest investments taken out during the first quarter of 2023/24 were at an average rate of 5.16%.
- 3.7.3 The treasury management strategy has previously been revised to enable alternative investments of £100m in pooled investments which have historically generated additional income of approximately £2m p.a. compared with fixed term lending to banks. 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.
- 3.7.4 Additionally, investment balances have not yet reduced as projected, increasing from £344m at the start of the financial year to £381m at the end of the first quarter. As a result, the current projection indicates that the interest on balances outturn will exceed the budget by £1m.

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 There is a current projected in year overspend in Dedicated Schools Grant (DSG) of £4,209k. This will be added to the £12,706k deficit that was carried forward from 2022/23. There was also an adjustment which resulted in an increase in the 2022/23 Early years DSG of £600k which effectively reduces the negative reserve position. This gives an estimated DSG deficit at the end of the year of £16,315k. 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.

3.9 Homes for Ukraine - £2,000k

3.9.1 The Department for Levelling Up, Housing and Communities (DLUHC) launched the Homes for Ukraine scheme on the 14th March 2022. The scheme allows people living in the UK to sponsor a Ukrainian national or family to come and live in the UK providing there is suitable accommodation available. The grant also covers any additional costs that the Authority may incur. A total of £8,003k was received during 2022/23 of which £2,588k was spent in the 2022/23 financial year. Therefore £5,415k was requested to be carried forward and was agreed by the Executive on the 5th July 2023. £500k has been allocated to staffing costs in Housing and Childrens Social Care. The Homes for Ukraine scheme has had an impact across Council services and on that basis it is proposed to set aside £2,000k in 2023/24 for costs across all services in the Council, mainly in the area of Housing.

3.10 Investment Fund and Growth Fund

3.10.1 Full details of the current position on the Investment Fund and the Growth Fund are included in the Capital Programme Monitoring Q1 2023/24 report elsewhere on the agenda. The uncommitted balances stand at £6.8m for the Investment Fund and £15.95m for the Growth Fund.

3.11 Financial Context

3.11.1 Review of Capital Programme and Funding

3.11.2 Since the 2022/23 Budget was produced the Council undertook, completed and reported to Executive:

- The Operational Property Review (Executive, 30th November 2022) ;
- Property Disposals (Executive, 30th November 2022);
- Capital Strategy 2023/24 to 2026/27 and Q3 Capital Programme Monitoring (Executive, 18th January 2023).

3.11.3 To address the existing capital funding shortfall to meet the cost of the approved capital programme, members agreed to refinance housing costs through borrowing, utilisation of capital receipts from the property disposals programme with the unfunded balance (subject to a limit of £10m) being met from earmarked reserves. A report elsewhere on this agenda provides an update on financing the capital programme.

3.11.4 The 2023/24 Council Tax report to Executive in February 2023 provided a projected revenue budget deficit over the next three years (£1.7m in 2024/25, £10.1m in 2025/26 and £29.6m in 2026/27). Since that report was produced, inflation has remained high, particularly for 2023/24 and latest estimates for 2024/25, and there are further cost pressures that have been identified by Chief Officers which provides a deteriorating financial position for future years. This report (see 3.8.2) also refers to the DSG deficit which is expected to continue in future years and ultimately such deficits have to be funded by a drawdown of reserves, whilst the statutory override remains in place.

3.11.5 An update on the Council's financial forecast, including the impact on the Council's reserves, will be reported to a future meeting of Executive prior to finalising the 2024/25 Budget. This will include further consideration of the Council's transformation programme and any further action

to address cost pressures. It remains essential to reduce overspends and any cost pressures, where possible, given the potential impact on meeting the 'budget gap' for future years.

3.11.6 Details of the need to retain adequate level of reserves was reported in Appendix 4 of the 2023/24 Council Tax report to Executive in February 2023.

3.11.7 Further updates will be provided as part of the 2023/24 quarterly budget monitoring reports to Executive.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

4.1 The 2023/24 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 "2023/24 Council Tax" report highlighted the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2023/24 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 2022/23 – Executive 5 th July 2023; 2023/24 Council Tax – Executive 8th February 2023; Draft 2023/24 Budget and Update on Council's Financial Strategy 2023/24 to 2026/27 – Executive 18 th January 2023; Treasury Management Annual Investment Strategy 2023/24 and Quarter 3 performance– Council 27 th February 2023; Financial Management Budget Monitoring files across all portfolios.