

Decision Maker: EXECUTIVE

Date: Thursday 29 November 2023

Decision Type: Non-Urgent Executive Non-Key

Title: BUDGET MONITORING 2023/24

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

Ward: Borough Wide

1. Reason for report

- 1.1 This report provides the second budget monitoring position for 2023/24 based on expenditure and activity levels up to the end of September 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.
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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 £12,585k is forecast based on information as at September 2023.
- (c) consider the comments from Chief Officers detailed in Appendix 2;
- (d) note a projected reduction to the General Fund balance of £1,393k as detailed in section 3.3;
- (e) note the full year cost pressures of £18.208m as detailed in section 3.4;
- (f) agree to the release of funding from the 2023/24 central contingency as detailed in paragraphs 3.2.2 to 3.2.6;
- (g) agree the drawdown of £250k from the Infrastructure Investment Fund earmarked reserve for works at the Hill Multi-Storey car Park as detailed in section 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: £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 £12,585k within portfolio budgets and a £11,836k 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	86,098	87,599	1,501
Children, Education & Families (inc. Schools Budget)	55,253	58,087	64,699	6,612
Environment & Community	38,033	38,497	39,862	1,365
Public Protection & Enforcement	3,228	3,417	3,417	0
Renewal, Recreation & Housing	15,611	15,922	18,803	2,881
Resources, Commissioning & Contracts Management	48,840	49,125	49,351	226
Total Controllable Budgets	245,143	251,146	263,731	12,585
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	266,812	279,397	12,585
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 12,841	Cr 3,000
Total Investment Income	Cr 18,618	Cr 16,118	Cr 19,118	Cr 3,000
Contingency Provision	26,631	14,972	8,309	Cr 6,663
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 60,874	Cr 69,537	Cr 8,663
Total Variation on Services and Central Items	189,176	189,820	190,742	922
Prior Year Adjustments	0	0	Cr 173	Cr 173
Total Variation	189,176	189,820	190,569	749

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 Social Care Grant – ASC reforms - £720k Cr

The Social Care grant is provided to give support to local authorities in England towards expenditure lawfully incurred or to be incurred in respect of meeting adults' and children's social care needs.

3.2.3 Homes for Ukraine - £80k Dr & Cr

Education continues to assist our schools and their Ukrainian families with language support for children, young people and adults arriving from the Ukraine through the Family Learning Programme, facilitated by the Bromley Adult Education College (BAEC). In order to ensure sufficient provision and continued support is in place for this vulnerable cohort, it is proposed that the Homes for Ukraine (HFU) funding is extended to 2023-24 at £80k, and in 2024-25 at £53k to enable services to continue the efforts and reaching out to any newly arrived Ukrainian families and their children, assisting with their integration to the community through learning the English language.

3.2.4 Early Years Supplementary Grant - £1,669k Dr & Cr

The 2023 Spring Budget announced additional funding for the existing early years entitlements for disadvantaged 2-year-old children and 3 and 4-year-old children for the 2023 to 2024 financial year (from September 2023) and beyond. For 2023/24 the increase in costs is being covered by a supplementary grant. From 2024/25 onwards the funding will be added to the Dedicated Schools Grant as part of the Early Years DSG funding block.

3.2.5 Adult Education Grant - £82k Dr & Cr

This is an increase in the BAEC grant funding of £82k for 2023/24 to deliver various courses for adult learners.

3.2.6 Early Years and High Needs Dedicated Schools Grant - £1,335k Dr & Cr

There has been additional allocations in year due to updates in recoupment figures and census data. This is contained within the overall DSG figures.

3.3 General Fund Balances

3.3.1 The level of general reserves is currently projected to reduce by £1,393k to £18,607k 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)	749
	<u>Cr 19,251</u>
Adjustment to Balances:	
Carry Forwards (funded from underspends in 2022/23)	644
General Fund Balance as at 31st March 2024	<u>Cr 18,607</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:

	2023/24	2024/25
	Budget	Impact
	£'000	£'000
Adult Care & Health Portfolio		
Assessment & Care Management - Care Placements	31,253	4,637
Learning Disabilities - Care Placements & Care Management	42,273	833
Mental Health - Care Placements	6,598	529
		<u>5,999</u>
Renewal, Recreation & Housing		
Supporting people	1,070 Cr	148
Housing Needs - Temporary accommodation	6,418	4,766
		<u>4,618</u>
Children, Education & Families Portfolio		
SEN Transport	10,324	1,700
Children's Social Care	49,455	5,891
		<u>7,591</u>
TOTAL		<u><u>18,208</u></u>

3.4.2 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.

3.4.3 Further details are included in Appendix 5.

Investment Income

3.5 Income from Investment Properties

3.5.1 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.

3.6 Interest on Balances

3.6.1 The budget for Interest on Balances for 2023/24 was set at £9,841k, which was an increase of £7m over the 2022/23 budget. This reflected 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.

3.6.2 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 it to remain at that rate for the remainder of the financial year. New core fixed-

interest investments taken out during the first half of 2023/24 were at an average rate of 6.15%.

- 3.6.3 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 and reducing only slightly to £380m at the end of the second quarter. As a result, the current projection indicates that the interest on balances outturn will exceed the 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 There is a current projected in year overspend in Dedicated Schools Grant (DSG) of £4,043k. 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 £16,149k. 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 Drawdown from the Infrastructure Investment Fund

- 3.8.1 There is a drawdown request of £250k from the Infrastructure Investment Fund Earmarked Reserve, to undertake emergency repair works on the Hill Multi-storey Car park. The car park has been closed to the public since October, using this fund will enable the car park to reopen in the new year, minimising income loss and ensuring the car park is safe to operate for the foreseeable future

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 2023/24 report elsewhere on the agenda. The uncommitted balances stand at £6.8m for the Investment Fund and £15.9m for the Growth Fund.

3.10 Financial Context

- 3.10.1 Review of Capital Programme and Funding

- 3.10.2 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).

- 3.10.3 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.
- 3.10.4 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 – section 3.4.1 identifies full year costs of £18.2m mainly relating to the impact of in year overspends. Many of these costs would not have been reflected in the original financial forecast. This will result in significant cost pressures being added to the ‘budget gap’ for 2024/25 and future years creating a deteriorating financial position with further action being necessary to address this. This report (see 3.8.1) 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.
- 3.10.5 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.
- 3.10.6 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.
- 3.10.7 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.