

Decision Maker: EXECUTIVE

Date: Thursday 27 March 2024

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 third budget monitoring position for 2023/24 based on expenditure and activity levels up to the end of December 2024. 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 £14,206k is forecast based on information as at December 2023.
- (c) consider the comments from Chief Officers detailed in Appendix 2;
- (d) note a projected reduction to the General Fund balance of £147k as detailed in section 3.3;
- (e) note the full year cost pressures of £21.1m 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 3.2.5;
- (g) agree the set aside £2.2m into an earmarked reserve to support the revenue budget for 2025/26 as detailed in section 3.8;

- (h) Note the issues regarding the Community Equipment contract as detailed in paragraph 3.9 and in Part 2 of this report;**
- (i) identify any issues that should be referred to individual Portfolio Holders for further action.**

2.2 Council are requested to:

- (j) Agree to the set aside £2.2m into an earmarked reserve to support the revenue budget for 2025/26 as detailed in section 3.8.**

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 £14,206k within portfolio budgets and a £14,703k 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	88,023	1,925
Children, Education & Families (inc. Schools Budget)	55,253	58,274	65,995	7,721
Environment & Community	38,033	38,497	39,049	552
Public Protection & Enforcement	3,228	3,417	3,417	0
Renewal, Recreation & Housing	15,611	15,989	19,710	3,721
Resources, Commissioning & Contracts Management	48,840	49,125	49,412	287
Total Controllable Budgets	245,143	251,400	265,606	14,206
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	267,066	281,272	14,206
Income from Investment Properties	Cr 8,777	Cr 5,777	Cr 5,777	0
Interest on General Fund Balances	Cr 9,841	Cr 9,841	Cr 14,341	Cr 4,500
Total Investment Income	Cr 18,618	Cr 15,618	Cr 20,118	Cr 4,500
Contingency Provision	26,631	13,974	4,355	Cr 9,619
Other Central Items	Cr 13,400	Cr 9,356	Cr 9,356	0
General Government Grants & Retained Business Rates	Cr 51,735	Cr 51,735	Cr 52,146	Cr 411
Collection Fund Surplus	Cr 14,511	Cr 14,511	Cr 14,511	0
Total Central Items	Cr 53,015	Cr 61,628	Cr 71,658	Cr 10,030
Total Variation on Services and Central Items	189,176	189,820	189,496	Cr 324
Prior Year Adjustments	0	0	Cr 173	Cr 173
Total Variation	189,176	189,820	189,323	Cr 497

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 Provision for increase in fuel costs - £254k Dr

An additional £254k is being requested due to the fluctuations in fuel costs, taking the total drawn down to £1.624m in 2023/24.

3.2.3 Property income recovery/rent variations - £500k Dr

An allowance of £500k was made in Central Contingency to reflect continuing uncertainties regarding investment property and rental income. This is reflected in paragraph 3.5 below for investment income.

3.2.4 Additional contribution to capital to West Wickham Library - £244k Dr

The Executive are asked to approve an additional revenue contribution of £244k to part-finance the capital costs of the Library element of scheme at West Wickham, details of which are contained in another report on the agenda (Report number HPR2024/010).

3.2.5 DfE Delivery Support Fund £66k Dr & Cr

The delivery support funding grant is provided to local authorities to support with meeting programme and delivery costs associated with rolling out the expanded early years entitlements. It funds the 2023/24 financial year.

3.3 General Fund Balances

3.3.1 The level of general reserves is currently projected to reduce by £147k to £19,853k 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 497
	<u>Cr 20,497</u>
Adjustment to Balances:	
Carry Forwards (funded from underspends in 2022/23)	644
General Fund Balance as at 31st March 2024	<u>Cr 19,853</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	33,544	5,531
Learning Disabilities - Care Placements & Care Management	42,273	709
Mental Health - Care Placements	6,598	257
		<u>6,497</u>
Renewal, Recreation & Housing		
Supporting people	1,070 Cr	148
Housing Needs - Temporary accommodation	6,418	5,636
		<u>5,488</u>
Children, Education & Families Portfolio		
SEN Transport	10,324	2,315
Children's Social Care	49,550	6,800
		<u>9,115</u>
TOTAL		<u><u>21,100</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 £3m 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 parades which brings in around £1m per annum of income for LBB, has now been fully disposed of leaving a part year £600k shortfall and the remaining shortfall is made up of various smaller budgets across our investment fund portfolio. 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. £205m of new core fixed-interest investments have been made during the first three quarters of 2023/24 at an average rate of 5.84%, which compares to an average rate of 2.85% on the £215m of investments that matured during the same period.

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, reducing only slightly to £380m at the end of the second quarter and then a still relatively minor reduction to £370m at the end of the third quarter. As a result, the current projection indicates that the interest on balances outturn will exceed the budget by £4.5m.

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 £3,857k. 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 £15,963k. It should be noted that the DSG can fluctuate due to pupils requiring additional services or being placed in expensive placements. The '2024/25 Council Tax report' to Executive in February 2024 advised that the impact of the existing DSG Deficit combined with potential future deficit of £5m per annum creates an unsustainable financial position and there will be an updated Deficit Recovery Plan, which will inform the Council's future financial forecast, that will be reported back to members to consider. A deficit recovery plan is also a requirement of the DfE.

3.8 Homes for Ukraine funding - £2.2m

3.8.1 A sum of £2.5m was set aside to support the Councils 2023/24 budget from the Homes for Ukraine Grant (HFU). £500k was allocated to support Housing and Childrens Social Care. There are clearly ongoing costs for HFU, so it is proposed that the balance that remains is not utilised in the current year but set aside to support the 2025/26 financial year.

3.8.2 The sum of £2m has been identified directly to support services. The equivalent sum from the arising reduction in service spend is proposed to be set aside to support the 2025/26 budget given the financial challenges the Council faces. This is one off funding and the situation relating to 2023/24 will be closely monitored.

3.8.3 There is a further £879k of grant identified in 2023/24, of which £679k will be utilised in 2023/24 and 2024/25 and the balance of £200k could also be used to support the 2025/26 budget and therefore a total sum of £2.2m will be set aside in an earmarked reserve to support the 2025/26 revenue budget, effectively reducing the 'budget gap' for that year.

3.9 Community Equipment contract

The new Integrated Community Equipment Service continues to generate some concerns but the new provider is now in a much firmer financial position and performance continues to improve, albeit slowly. The budget contains a risk around the delivery of credits, which are paid against returned equipment, but which are expected to deliver. This is flagged as a risk as these may not deliver before the end of the financial year, but a carry forward will allow for late delivery of these. More details are contained in Part Two of this report.

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 Strategy 2024/25 to 2027/28 and Q3 Capital Programme Monitoring report considered by the Executive on 7th February 2024. The uncommitted balances stand at £6.8m for the Investment Fund and £14.9m for the Growth Fund.

3.11 Financial Context

3.11.1 Review of Capital Programme and Funding

3.11.2 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.

3.11.4 The 'Capital Strategy 2024/25 to 2027/28 & Q3 Capital Programme Monitoring' report to the previous meeting of Executive referred to the need to consider financing new schemes through external borrowing if they cannot be funded through external grants or contribution. This approach recognises the significant reduction in the Council's earmarked reserves over the next few years.

3.11.5 The 2024/25 Council Tax report to Executive in February 2024 provided a projected revenue budget deficit over the next three years (£16.6m in 2025/26, £34.2m in 2026/27 and £38.7m in 2027/28). Since that report was produced, further cost pressures have been identified relating to the full year effect (see section 3.4) and it is important that Chief Officers consider options to reduce the overall impact in order to mitigate against a deteriorating financial position for future years. Section 3.4 identifies full year costs of £21.1m mainly relating to the impact of in year overspends. Although the majority of these costs have been reflected in the 2024/25 Budget subsequent cost pressures have been identified which could equate to up to £3.5m per annum – without any corrective action this will also result in significant cost pressures being added to the 'budget gap' for 2025/26 and future years. This report (see 3.7.2) 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.

3.11.6 Details of the need to retain adequate level of reserves was reported in Appendix 4 of the 2024/25 Council Tax report to Executive in February 2024.

3.11.7 Further updates will be provided as part of the 2023/24 outturn report and 2024/25 quarterly budget monitoring reports to future meetings of 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 ‘2024/25 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.