

Decision Maker: Executive

Date: 10th June 2014

Decision Type: Non-Urgent Executive Non-Key

Title: PROVISIONAL FINAL ACCOUNTS 2013/14

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Chief Officer: Director of Finance

Ward: Borough Wide

1. Reason for report

- 1.1 This report considers the 2013/14 provisional outturn at portfolio level and Council wide as well as the potential implications for the Council's financial position in 2014/15. The purpose of the report is to give a broad overview of the financial outturn. The 2013/14 provisional outturn shows an overall net reduction in balances of £1.2m (before carry forwards from 2012/13) which represents a variation of 0.6% compared with the final approved budget of £214.2m (see Appendix 1). This consists of net underspends of Cr £2.5m on services, Dr £6.0m on central items and carry forwards, prior year adjustments of Cr £2.3m.
- 1.2 More detailed reports will be submitted to individual Portfolio Holders' meetings and their respective PDS committees. Details of the carry forward requests and a summary of the Council's capital programme are also considered in the report.

2. **RECOMMENDATION(S)**

Executive are requested to:

1. consider the provisional revenue and capital outturns for the 2013/14 financial year, and the earmarked balances on the General Fund as at 31st March 2014;
2. note that a more detailed analysis of the 2013/14 final outturn will be reported for each Portfolio to the relevant PDS committees;
3. consider the variations in 2013/14 impacting on the Council's 2014/15 financial position;

- 4. note the carry forwards of £407k relating to repairs and maintenance, approved under delegated powers (see Appendix 5);**
- 5. the request for carry forwards totalling £1,147k (net) be approved, subject to the money being allocated to the Central Contingency and Portfolio Holder approval being sought for further expenditure as detailed in Appendix 5;**
- 6. consider the comments from the Director of Transformation and Regeneration, the Director of Corporate Services, and the Director of Education, Care and Health Services, as detailed in sections 3.2, 3.3 and 3.4;**
- 7. agree to release £2.1m NHS funding from the Central Contingency and agree that this is set aside in an earmarked reserve as detailed in para 3.5.14;**
- 8. agree to transfer the balance of the Public Health funding of £449k from the Central Contingency to an earmarked reserve as detailed in para 3.5.15;**
- 9. Members to approve match funding for the all-weather pitch at Charles Darwin School of £90k as detailed in para 3.5.16;**
- 10. Members to approve a one-off Insurance fund top-up of £500k in 2013/14 as detailed in para 3.5.17;**
- 11. Members are asked to note there is a separate report elsewhere on the agenda covering the Economic Development and Investment Fund as detailed in section 3.5.18;**
- 12. Members are asked to agree the setting up of a Transformation Fund with a £4m contribution as detailed in section 3.5.19;**
- 13. note the Prior Year adjustments as detailed in section 3.7 totalling £2.342m;**
- 14. agree that the recommendations in 7,8 and 12 above will also require the approval of Council.**

Corporate Policy

1. Policy Status: Existing policy.
 2. BBB Priority: Excellent Council.
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Financial

1. Cost of proposal: N/A
 2. Ongoing costs: Recurring cost.
 3. Budget head/performance centre: Council wide
 4. Total current budget for this head: £123m net (excluding GLA precept)
 5. Source of funding: See Appendix 1 for overall funding of Council's budget
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Staff

1. Number of staff (current and additional): 3,824 (per 2013/14 Budget), which includes 1,760 for delegated budgets 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 Accounts and Audit Regulations 1996; the Local Government Act 2000; and the Local Government Act 2002.
 2. Call-in: Call-in is applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The 2013/14 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? N/A.
2. Summary of Ward Councillors comments: Council wide

3. PROVISIONAL FINAL OUTTURN 2013/14

3.1.1 The Resources Portfolio Plan included the target that each service department will spend within its own budget. A summary of the overall budget and the provisional outturn for 2013/14 is shown below.

3.1.2 The 2013/14 provisional outturn shows an overall net reduction in balances of £1.2m (before carry forwards from 2012/13) which represents a variation of 0.6% compared with the final approved budget of £214.2m.

3.1.3 The table below provides a breakdown of the 2013/14 budget and provisional final outturn for the year:-

	2013/14 Original Budget £'000	2013/14 Final Approved Budget £'000	2013/14 Provisional Final Outturn £'000	2012/13 Variation £'000
Care Services	107,328	107,602	107,453 Cr	149
Education (incl. Schools' Budget)	4,978	5,047	4,508 Cr	539
Environment	30,981	31,684	31,602 Cr	82
Public Protection	3,225	2,452	2,338 Cr	114
Renewal & Recreation	8,562	8,785	8,561 Cr	224
Resources (includes carry forwards of £1.1m)	38,950	39,269	37,904 Cr	1,365
Total Controllable Budgets	194,024	194,839	192,366 Cr	2,473
Capital, Insurance & Pension Acct Requirements *	20,710	33,689	33,689	0
Non General Fund Recharges	Cr 830	Cr 791	Cr 791	0
Total Portfolio Budgets	213,904	227,737	225,264 Cr	2,473
Adj for Carry Forwards from 2011/12 to 2012/13		0	1,554	1,554
Capital, Insurance & Pension Acct Requirements	Cr 19,727	Cr 32,601	Cr 32,605	Cr 4
Total Portfolio Budgets adjusted for carry forwards and accounting requirements	194,177	195,136	194,213 Cr	923
Contingency Provision	13,134	13,040	0 Cr	13,040
Interest on Balances	Cr 1,591	Cr 1,591	Cr 2,244	Cr 653
Provision for Invest to Save, Capital Works and other Provisions	6,192	6,192	6,192	0
Winter Pressures Reserve expenditure (Exec 12 Feb 2014)			1,542	1,542
Integration of Health & Social Care Initiatives - exp (Exec 2nd April 2014)			1,936	1,936
Key Health & Social Care Initiatives reserve - exp (Exec 2nd April 2014)			1,700	1,700
Income from Health			Cr 5,178	Cr 5,178
Member Initiatives (Council 24th Feb 2014)			1,475	1,475
Cheyne Wood and Cyphers Gate - exp (Exec 2nd April 2014)			192	192
Cheyne Wood and Cyphers Gate - income			Cr 192	Cr 192
Subject to Approval Executive 10th June 2014				
Healthy Bromley Fund			2,670	2,670
Income from Health			Cr 2,670	Cr 2,670
Transformation Fund			4,000	4,000
Contributions to Economic Development & Investment Fund			13,792	13,792
Contribution towards Insurance Fund			500	500
Other net receipts - LRB			Cr 37	Cr 37
Levies	1,468	1,468	1,468	0
Total Central Items	19,203	19,109	25,146	6,037
Total Variation on Services and Central Items	213,380	214,245	219,359	5,114
Prior Year Adjustments	0	0 Cr	2,342 Cr	2,342
Total Variation	213,380	214,245	217,017	2,772
Carry Forwards from 2013/14 to 2014/15			Cr 1,554	Cr 1,554
Net Variation (after allowing for carry forwards)	213,380	214,245	215,463	1,218
(see also 3.2.1)				

* The variation between original budget and outturn 2013/14 on capital charges, etc is primarily due to actual charges in the accounts for fixed asset impairments (reductions in fixed asset valuations). Valuations are carried out annually by an external valuer and the 2013/14 valuations were carried out as at December 2013 (i.e. some 9 months after the 2013/14 budget was finalised).

3.1.4 A detailed breakdown of the Final Approved Budgets and Provisional Final Outturn across each Portfolio, together with an analysis of variations, is shown in Appendix 2.

3.2 Comments from the Director of Corporate Services:

3.2.1 The Corporate Services Division net outturn position for 2013-14 was an underspend of £577k. This comprises of underspends on Repair and Maintenance (R & M) of £576k, and IT of £178k offset by overspends on Operational Property of £169k. Other variations net out to £8k. Carry forward requests have been made for R & M and IT. The overspend on Operational Property has ongoing implications for 14-15, however virements, actioned as part of the 14-15 budget preparation, have reduced the ongoing effect to £66k. The Director continues to explore ways of mitigating the ongoing overspend.

3.3 Comments from the Director of Renewal & Recreation: (Resources Portfolio)

3.3.1 The net outturn position for Strategic Property Services was an overspend of £236k. This variation can be broadly explained as a shortfall on the income budget for Investment Properties (mainly the acquisition of High Street Properties) of £528k, an underspend on the budget for Exchequer House of £163k (Business Rates £92k and utilities etc. £71k), additional income from Yeoman House of £169k, and a shortfall in income from the Walnuts Rent share of £49k. Other variations netted out to £9k.

3.3.2 It had been assumed that there might be a shortfall on the income budget for The Glades rent share, however the income for the quarter ending 14th April was better than expected and the final position was only £3k less than budget. There was, therefore, no need to make a call on the sum set aside in the central contingency. This budget is difficult to forecast as Bromley's income is dependent upon both the trading results of the shops and the level of minor works undertaken.

3.3.3 A full year effect shortfall in income of £459k is projected for Strategic Property Services comprising of the shortfall in income for the High Street Properties of £410k and the Walnuts Rent Share £49k. The figure for the High Street properties relates to the full year effect of those properties that have already been purchased only. The 14-15 budget position will also be influenced by the fact that the income budget was increased by £1M and further purchases that are in the process of being completed.

3.4 Comments from the Director of Education and Care Services

Care Services Portfolio:

3.4.1 The previous Report to PDS detailed the particular in-year pressures staff have had to manage. These are detailed elsewhere in the Finance comments but include more, and more complex, presentations to care managers than was planned for at budget setting, the most significant pressures we have ever seen by our Operational Housing team, and continuing pressures from those with no recourse to public funds.

3.4.2 This made it necessary to draw-down planned contingencies but, in addition, a further £1m of in-year pressures required managing and as can be seen from the full year effects predicted for 2014/15, these continue into the new financial year. Analysis of the past year indicates that the complexity of those entering our extra care housing schemes are considerably greater than the modelling considered, with more support than was envisaged. It is now clear that the modelling underpinning the schemes is not being seen in practice.

- 3.4.3 Our invest to save programmes showed mixed fortunes, some very effective such as dementia, but the physical difficulties (PD) much less so. In this case as it proved difficult to recruit to the posts and so was very slow to get underway, adding to the pressures on the budget.
- 3.4.4 The continuing troubles of the Princess Royal University Hospital (PRUH) have occupied a great deal of senior staff time this year with over £340,000 of additional costs over winter. These were supported, in part, by urgent care monies from the NHS (£285,000 of grant, a net position of £55,000) but continue to put pressure on our budgets well after the end of winter!
- 3.4.5 Commissioning has continued to drive down the costs of placements across both adults and children and has made a major contribution to savings both planned and in-year. However, we are finding significant resistance from suppliers who increasingly require that we meet in full their pressures on operating costs. It is likely, then, we will see pressures on this budget in the coming year. However, outstanding work was done across a range of services working in partnership with care managers and children's staff to match packages very precisely to needs.
- 3.4.6 Children's Social Care has done extraordinarily well in containing pressures in a year when we saw a major transfer of responsibilities for children on remand move from central to local government but with only a fraction of the funding needed to manage a programme over which we have no control. However, just as we saw more clients with more complex needs, entering adult social care than predicted, giving very significant pressures on budgets, we saw fewer children with disabilities requiring packages, but also we were able to reduce costs. We are not hopeful that we will see the same, low numbers next year.
- 3.4.7 The full integration of public health into the directorate has allowed some rationalisation of spend and this will continue into 2014/15.
- 3.4.8 Finally, Housing staff are to be commended for their work in an extraordinarily challenging year. PDS will be aware of the use of contingencies in 2013/14 and the pressures these reflected continue into the new financial year. Once again, we are looking at ways of ameliorating them: the Bellegrave scheme would appear to have been particularly successful, for example. Nonetheless, contingencies once again have been set aside and it seems likely these will prove essential in supporting the budget.
- 3.4.9 I am grateful for the support of colleagues both within the directorate and across the Council for the much hard work undertaken this year to return the surplus in the most difficult of circumstances. This has included developing new ways of procuring packages, particularly for clients with learning disabilities, and more professional relationships with our health partners which has resulted in a significant number of continuing health care assessments finding need for the NHS to contribute to our costs. This relationship has also allowed us to address the historic issue with the community equipment budget that, after predicting a significant overspend earlier in the year, actually declared a small operating surplus. We have also caught-up on our client reviews in adult social care which had fallen several months behind at the end of the last financial year, meaning that packages match well individual needs and provide the best possible value for money for the council tax payer.

Education Portfolio:

- 3.4.10 This has been a very successful year for the Education team. As we develop greater focus in the nature of our relationship with schools, officers have been able to

concentrate on a small number of priorities within a very clear Portfolio Plan. This focus has enabled a further third of our schools to have brokered robust plans for the transition to academy status, with only half a dozen schools yet to start that journey. As we have become more efficient in these processes, we have been able to reduce external consultancy time resulting in some small savings against RSG. This has been particularly important as we have lost considerable sums in central government grant through the academy conversion process and it is of significant credit to the Education team that these pressures have been managed in year.

3.4.11 The SEN pilot has proved very successful and again, we see some efficiencies as a result of this which, through creative use of central government grants, has ensured all our schools have seen benefits from our new approaches. Members will notice elsewhere the very considerable underspend on DSG, however, and officers will be looking at proposals to ensure that this surplus is spent effectively on our children's education. However, PDS also needs to be aware that officers are very concerned about the future cost pressures from the new model 'single plans' with an insistence from central government that all our SEN plans, around 1,900, are converted to the new format 'single plans' within three years.

3.4.12 A greater reliance on using experienced head teachers – National Leaders of Education (NLEs) – bought-in on a as-and-when basis as opposed to maintaining a standing school improvement service, to support school improvement has seen a strong improvement in standards in our primary schools but we still have too many in an Ofsted improvement category. For each of these, we are required to provide additional resources and so for every school that fails, as well as the impact this implies for the pupils in the school, there is a further drain on our budgets. We anticipate our improved approaches to early intervention in schools causing concern should see further reductions in costs in the coming years.

3.4.13 Adult Education has proved a real challenge this year. Changes to funding arrangements from central government left us in the difficult position of running course that were previously funded centrally, but were for the last year a given expectation on local authorities to run. These courses also picked-up some learners who may otherwise have been on other funded courses, and so led to significant financial pressures in what has always been a well-regarded and efficient service. These pressures were covered-off from elsewhere in the education budget but again Members should be aware that these pressures are likely to continue into the future.

3.5 Central Contingency Sum

3.5.1 Since the last budget monitoring report to Executive in February 2014, further provisions have been identified as not being required in 2013/14, resulting in further variations on the Central Contingency.

3.5.2 A sum of £19k of the Local Reform and Community Voices grant, Care Services Portfolio, is now not required and has been returned to the 2013/14 Central Contingency.

3.5.3 Note that of the £500k Youth on Remand funding drawn down out of the Central Contingency earlier in the year, only £195k was needed meaning that £305k has been returned to the 2013/14 Central Contingency.

3.5.4 Earlier in the year Executive approved the release of £1m from the Central Contingency to fund Housing cost pressures relating to people that were homeless. Of this sum £129k was not required and so has been returned to the Central Contingency.

- 3.5.5 There is a variation of £1.6m relating to the use of Public Health grant income to support council wide Public Health services.
- 3.5.6 Due to changes in legislation discretionary rate relief is now 100% funded and the budgets of £213k for charitable relief and £6k for sports relief has been returned to the Central Contingency.
- 3.5.7 As part of Localised Pay, Members agreed a merited reward for exceptional performers and a provision of £200k was included in the Central Contingency. This was to reward the performance of employees during 2013/14. In December a pilot for this scheme took place, with the main nomination process taking place following employees appraisal reviews in April and May 2014. A sum of £48k has been drawn down from the Central Contingency fund expenditure incurred to date and a carry forward request is being made for the remaining £152k.
- 3.5.8 The original Contingency included a sum of £114k for the potential shortfall of income in the Glades. The final 2013/14 outturn resulted in a shortfall of income of £3k so this provision is no longer required.
- 3.5.9 A sum of £60k was included in the Contingency for the Street Environment Contract, which is no longer required.
- 3.5.10 The provision of £33k set aside for flood damage in the contingency is not required.
- 3.5.11 A sum of £60k was included in the Contingency relating to the change in legislation for planning appeals is not required.
- 3.5.12 The 2013/14 Central Contingency includes provisions to reflect risk and uncertainty relating to volume and cost pressures and possible further in year grant reductions. Given the early action to address cost pressures and early implementation of future year budget savings these provisions have been identified as not being required in the current year, resulting in further variations on the Central Contingency.
- 3.5.13 All other variations within the Central Contingency have been reported to Members in previous budget monitoring reports. A detailed breakdown of all individual variations within the 2013/14 Central Contingency sum is shown in Appendix 3.
- 3.5.14 The sum of £2.1m NHS funding was set aside in the Central Contingency for 2013/14 and it is proposed that this money is set aside as an earmarked reserve to support Healthy Bromley initiatives. This will be a cross council fund that will support key initiatives that will help improve the wellbeing of Bromley residents.
- 3.5.15 A sum of £539k Public Health Funding was carried forward from 2012/13 into 2013/14 and included in the Central Contingency. It is proposed that this is used towards funding the Healthy Bromley earmarked reserve. It is proposed that £90k of this money is used to provide match funding for the Charles Darwin Academy detailed in the paragraph below.
- 3.5.16 The Charles Darwin Academy applied to the Football Foundation to replace the existing carpet on the sand based artificial surface with an upgraded 3G surface. The Academy was looking for a match funding contribution from the Council of £90k to support their application. The school is providing additional funding of £248k towards a total costs of £338k.

3.5.17 At the April meeting, Members received an early warning of additional insurance costs of £500k or more arising from the data cleansing exercise carried out by the Royal Borough of Greenwich staff who have been handling claims on our behalf since January. Members were advised that an update would be included in this report. The data cleansing exercise has now been completed and the total value of the Insurance Reserve (estimate of outstanding liabilities) has increased from £1.1m as at 31st March 2013 to £1.7m as at 31st March 2014. This would cause the value of the Insurance Fund to fall to below £2.5m, which is below the level of £3.0m that is considered to be prudent. This report asks for approval to a one-off top-up of £500k in 2013/14 to keep the Fund balance at £3.0m.

3.5.18 The last financial monitoring to Executive in April 2014 identified that the potential underspends on the final Contingency provision at the year end may be utilised to provide one off funding for key Council priorities including, for example, the Economic Development and Investment Fund. Full details are reported elsewhere on this agenda.

3.5.19 A sum of £4m has been set aside from the 2013/14 unallocated Contingency as a contribution to the Transformation Fund. This will be combined with the balance of the Redundancy Reserve at 31st March 2014 of £817k taking the total fund balance to £4,817k. The Redundancy Reserve was set up in 2008/09 and since then £7.8m contributions have been made. Since 2009 there has been contribution of £7.8m and to date expenditure of £6.9m leaving a balance of £817k. The main purpose of the fund will be to meet severance costs arising from a need for significant budget savings to be achieved over the next few years. There will also be costs arising from the need to support staff in a changing organisation. Additional comments from the Assistant Chief Executive (Human Resources) relating to further calls on this fund are shown below.

1) coaching and coping interventions including increasing the current counselling capacity. The number of counselling has gone up and the trend is likely to continue for the next few years as we move rapidly towards a full commissioning organisation.

2) The commissioning journey requires additional transitional and transformational skill sets. We need to support the process with an enhanced training programme to achieve the desired structural and cultural outcomes, including new ways of working, developing new competencies in commissioning, contract monitoring, partnership working, etc. Bromley workforce of the future will require additional training interventions.

3.5.20 As with the Redundancy Reserve, it is proposed that the use of the Fund be delegated to the Chief Executive in consultation with the Leader of the Council except for cases which require specific reporting under the Council's pay policy.

3.5.21 At its meeting on 24th February 2014, Council agreed the recommendations of the Pensions Investment Sub-Committee, that a 'Parallel Fund' be set up alongside the existing Pension Fund. It was recommended that the amount of capital invested in the 'Parallel Fund' be up to £10m through a Diversified Growth Fund type investment. Options relating to the level and type of investment will be reported to a future meeting of the Executive.

3.6 Unspent Budget Provision Relating to Carry Forward Requests of £1.554m

3.6.1 There are service underspends of £1.554m which relate to requests for carry forwards into 2013/14 funded from unspent budget provision.

3.6.2 Appendix 5 includes repairs and maintenance underspends of £407k approved for carry forward under delegated powers. The schemes relate to the repairs and maintenance

fund which for operational reasons and client unit requirements a number of repair and maintenance projects that were scheduled for completion in March 2014, will not be completed until sometime later in 2014.

3.6.3 There are further carry forward requests into 2013/14 totalling £1,147k (net of government grant), received from Chief Officers relating to unspent budget provision as shown in Appendix 5. Further details are summarised in the table below.

Carry Forward requests from 2013/14 to 2014/15	£'000
Approved for c/f under delegated powers	407
Grants with Explicit Right of Repayment	
Expenditure	1,071
Income	-1,071
Grants with No Explicit Right of Repayment	
Expenditure	1,538
Income	-1,538
Other c/f requests	1,147
Carry Forward requests 2014/15 net of Government Grant	<u><u>1,554</u></u>

3.7 Prior Year Adjustments resulting in a Credit Provision in the Account of Cr £2,342k

3.7.1 Provisions have been made in the accounts over the last few years relating to possible repayment of Campus Reprovision funding for LD Clients. These provisions are no longer required and so have all been released in 2013/14 resulting in a Cr of £973k.

3.7.2 A provision for the Tower Hamlets Judgement of £420k was made in the year end accounts for 2012/13, because at the time officers believed this was likely to be backdated. In the end the judgement was not backdated and therefore this provision is no longer required resulting in a credit of £420k.

3.7.3 Other general provisions for placements relating to children's and adults services made in 2012/13 totalling £455k and not required, have also been released resulting in a credit.

3.7.4 General provisions for the Education Portfolio of Cr £80k in 2012/13 can now be released.

3.7.5 A sum of Cr £459k relates to backdated council tax benefit adjustments which under the new Council Tax Support Scheme does not result in a corresponding loss in subsidy.

3.7.6 Additional one-off income of Cr £55k relating to 2012/13 procurement has also been reflected in the 2013/14 accounts.

3.7.7 The Council remains liable for old (pre-1993) claims that were handled by Municipal Mutual Insurance (MMI) before it went into run-off in September 1992. Provision was

made in the 2012/13 for £204k, which represented an estimate of an initial levy payable (15% of an estimated £1.36m paid out by MMI). A payment of £187k was made in 2013/14. Based on the latest information, provision for a further £100k has been included in the 2013/14 accounts.

3.8 General Government Grants

3.8.1 Since the last report to the Executive Bromley has received two additional revenue grants of £266k for Capital Redistribution and £635k for Small Business Rate Relief.

3.9 Carry Forwards from 2012/13 to 2013/14

3.9.1 A net total of £865k has been carried forward into 2013/14 funded from underspends in 2012/13. £375k related to Repairs and Maintenance budgets and was approved under delegated authority. Further requests for carry forwards totalling a net £490k were approved by the Executive subject to the money being allocated to the Central Contingency and Portfolio Holder approval being sought for the release of these monies. Further details were reported to the Executive on 12th June 2013.

3.10 General Fund Balances

3.10.1 After allowing for all the proposals detailed in the report and considering the final outturn across Council budgets the level of general reserves is projecting a nil variation as at 31st March 2014. Further details are provided below:

	2013/14 Outturn
General Fund Balance at 1st April 2013	-20,000
Other changes including net variation on Services and Central Items as p	-865
Carry forwards from 2012/13	865
Projected General Fund Balance 31 March 2014	<u>-20,000</u>

3.11 Impact on Future Years

3.11.1 The report identifies full year cost pressures which could have an impact on the 2014/15 budgets. The main areas to be considered at this stage are summarised below:

	Budget	Impact
	£'000	£'000
Care Services Portfolio		
Residential & Domiciliary Care - Older People	18,217	398
Operational Housing	4,507	237
Children's Social Care		
Placements	10,539	282
No Recourse to Public Funds	100	205
Mental Health & Learning Disabilities		91
Total		1,213
Education Portfolio		
Adult Education College	-630	230
Education Services Grant	-3,282	106
Total		336
Environmental Services Portfolio		
Waste Services	16,670	330
Highways incl London Permit Scheme	6,575	300
Management Action		-630
Total		0
Resources Portfolio		
Resources - Operational Property (exc R&M)	112	66
Renewal & Recreation - Investment Properties	-5,270	459
		525

3.11.2 Further details including action to be taken to contain these pressures are included in Appendix 4.

4 EARMARKED RESERVES

4.1 Economic Development & Investment Fund and Invest to Save Fund

4.1.1 A detailed analysis of this Fund, dating back to its inception in September 2011, is provided in the Capital Programme Outturn 2013/14 report elsewhere on the agenda. Total funding of £47.3m has been placed in the earmarked reserve to date to contribute towards the Council's economic development and investment opportunities. A total of £29.4m has been allocated to date, mainly on the acquisition of High Street properties, leaving an uncommitted balance of £17.9m as at 31st March 2014. The actual balance of the Fund as at 31st March 2014 was £37.4m. If the additional allocation to the fund requested in a report elsewhere on the agenda is approved, the uncommitted balance would increase to £31.7m.

4.2 Invest to Save Fund

4.2.1 This earmarked reserve was set up in the sum of £14m with the approval of full Council in October 2011 to enable "loans" to be provided for Invest to Save initiatives, with advances to be repaid within a "reasonable" period and on-going revenue savings to contribute towards reducing the budget gap. In February 2013, the Executive agreed

that the one-off Council Tax Freeze grant in 2012/13 be added to the Fund, bringing the total balance up to £17,304k.

4.2.2 Five schemes have been approved to date and, as at 31st March 2014, the actual balance on the Fund stood at £15,975k, which is detailed in the table below:

Scheme	Approval date	Contributions £'000	To 31st March 2014			Net "loan" to 31/03/14 £'000
			Approved "loans" £'000	Advanced from Fund £'000	Repaid to Fund £'000	
<u>Approved funding</u>						
Initial Fund allocation	Council Oct 11	14,000				
Council Tax Freeze grant	Exec Feb 13	3,304				
<u>Approved schemes</u>						
Green waste/textile collection service	Exec Dec 11		220	220	220	0
Replace street lighting columns	Exec Nov 12		8,507	2,807	1,717	1,091
Bellegrove - refurbishment	Exec Jan 13		400	446	446	0
Stamented pupils - travel training	Exec Apr 13		100	57	29	28
Transfer CSC to Liberata	Exec Sept 13		330	210	0	210
			17,304	9,557	2,412	1,329
Actual Fund balance 31/03/14						15,975

4.3 LPSA / LAA Reward Grant

4.3.1 A total of £8,049k was received in recent years from the achievement of various LPSA and LAA service improvement targets and a further £143k was available on the closure of the Partnership Fund, bringing the total available funding up to £8,192k. Schemes totalling £7,372k were previously allocated funding by the Executive and, in February 2013, full Council agreed the transfer of the uncommitted balance of £820k to the Economic Development & Investment Fund. As at 31st March 2014, the total balance on the LPSA and LAA earmarked reserves stood at £1,046k.

5. CONTINGENT LIABILITIES AND PROVISIONS

5.1. Section 117 – The provision is for potential financial claims for aftercare plans under section 117 of the Mental Health Act. The provision is £628k, which will be carried forward into 2013/14 for outstanding claims.

5.2 Details of the remaining contingent liabilities and provisions will be included in the draft statement of accounts which will be available for audit at the end of June. Large provisions as at 31 March 2014 include, unsettled insurance claims £1.8m and NNDR and Council Tax credit balances £1.8m.

6. CAPITAL EXPENDITURE AND RECEIPTS

Capital Expenditure

6.1 The final capital outturn (actual expenditure) for the year was £25.2m, which compared with the original estimate of £36.4m approved by the Executive in February 2013 and with the latest approved budget of £33.6m agreed in February 2014. Most of the variation was due to slippage of expenditure into later years. Further details are included in the capital outturn report elsewhere on this agenda.

Capital Receipts

- 6.2 Under the “prudential” capital system in operation from 1st April 2004, most capital receipts are “useable” and may be applied to finance capital expenditure. Available capital receipts totalled £22.0m, including an unapplied balance of £11.8m brought forward from 2012/13. No receipts were applied during 2013/14 because the total of revenue contributions and external contributions was sufficient to cover total capital expenditure. Thus a balance of £22.0m has been carried forward to finance capital expenditure in future years. No capital contribution from the General Fund was required in 2013/14. The final outturn is summarised below: -

	Useable Receipts £'000
Unapplied balance at 1st april 2013	11,796
Receipts during 2013/14	10,191
Applied to finance Capital Expenditure	0
	<u><u>21,987</u></u>

7. BORROWING AND INVESTMENT

- 7.1 The Authority’s borrowing and investments have been reported quarterly to the Executive and Resources PDS Committee and the Resources Portfolio holder during 2013/14. Members are referred to the report to the Executive and Resources PDS Committee on 5th June 2014 for full details of activity during the year and the position as at 31st March 2014. The Council had no temporary borrowing outstanding at 31st March 2014 and the balance of investments (including accrued interest) on that date was £248.3m.

8. SECTION 106

- 8.1. An update on balances as at 31 March 2014 is included in Appendix 7 of this report. Further details on the arrangements for utilising Section 106 monies are reported to the Executive and Resources PDS on 10 July 2014.

9. THE SCHOOLS BUDGET

- 9.1. 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 years Schools Budget. There is a total underspend of £4,265k on DSG funded services. Subject to approval, surplus funds may be given to schools as a one off payment, carried forward centrally to offset any future unknown pressures, or a combination of the two. Further details are provided in Appendix 8.

10. ACADEMIES

- 10.1. During the 2013/14 financial year 13 primary schools have converted to academies.
- 10.2 The impact of these arrangements are that when schools convert to academy status their balances are removed from the accounts as the schools are autonomous and no longer under the Bromley’s control, and therefore have their own financial

arrangements in place. This generally results in a reduction in maintained balances. However the remaining schools have increased their surplus funds and we have seen balances increase overall.

11. COLLECTION FUND

- 11.1 It is a statutory requirement to maintain a Collection Fund at arms length from the remainder of the Council's accounts. The Fund is credited with income from Council Tax and Business Rates, and has exceeded the budgeted requirement in 2013/14.
- 11.2 There is a Council Tax surplus on the fund at 31st March 2014 of £3.8m. The surplus income is mainly due to good debt recovery levels despite the recent recessionary period, an increase in new properties in the borough and the successful impact of action following the data matching exercise on single person discounts. Of the 2013/14 surplus, a sum of £0.9m will be allocated to the GLA.
- 11.3 There is an overall deficit relating to the new Business Rates Retention scheme of £2.0m which is mainly due to downward revaluations of properties during the year. This highlights the challenges of predicting accurate levels of retained business rates under the new scheme and any projections therefore must be treated with caution. Of the 2013/14 deficit £1.0m will be allocated to Central Government, £0.4m to the GLA and £0.6m to Bromley.

12. FINANCIAL CONTEXT

- 12.1 The 2014/15 Council tax report identified the latest financial projections and an increasing future year budget gap due to the impact of inflation, service cost pressures and ongoing significant reductions in government funding during this austerity period. More details were reported in the "2014/15 Council Tax" to Executive in February. Despite the recent significant improvements in the current economic situation the high level of public debt and the government's plans to achieve a budget surplus (and any possible future plans for tax cuts) will lead to significant further reductions in government funding particularly if health and education remain "protected" by central government.
- 12.2 The provisional 2013/14 outturn identifies underspends from prior year adjustments, departmental spend and the Council's central contingency sum. The underspends from the Central Contingency Sum mainly relate to ongoing action to contain growth pressures, stringent cost controls, effective management of risk, effective use of government funding and meeting income targets. This financial position enables the Council to be "better placed" to meet the future years budget gap but also provide opportunities to achieve savings from transformation, economic development and investment income which will provide a more sustainable financial outcome for the future. The proposals in this report seek to maximise these opportunities.
- 12.3 The Council's general reserves remain at £20m, whilst a future years "budget gap" continues. However there is flexibility in the Council's overall resources (including earmarked reserves) to allow this position to be revised in the future.

13. STATUTORY ACCOUNTS

- 13.1 The audited statutory accounts for 2013/14 will be reported to the General Purposes and Licensing Committee meeting on 17th September 2014, which meets the statutory deadline of 30th September 2014 for reporting accounts under the Accounts & Audit Regulations 2011.

14. POLICY IMPLICATIONS

- 14.1 “Building a Better Bromley” refers to the Council’s intention to remain amongst the lowest Council Tax levels in Outer London and the importance of greater focus on priorities.
- 14.2 The “2014/15 Council Tax” report highlighted the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2014/15 to minimise the risk of compounding financial pressures in future years.
- 14.3 Chief Officer’s comments are included within Appendix 2 and sections 3.2, 3.3 and 3.4;

15. FINANCIAL IMPLICATIONS

- 15.1 These are contained within the body of the report with further information provided in the appendices.

Non-Applicable Sections:	Legal, Personnel
Background Documents: (Access via Contact Officer)	Various reports including: 2013/14 Council Tax – Executive February 2013. Budget Monitoring Reports in 2013/14 – Executive Provisional Final Accounts Report 2012/13 – Executive June 2013. 2013/14 Council Tax report – Executive February 2013. Draft 2013/14 Budget and Update on Council’s Financial Strategy 2014/15 to 2016/17 – Executive January 2013. Capital Programme Outturn 2013/14 (elsewhere on the agenda)