

Decision Maker: COUNCIL

Date: 29 June 2015

Decision Type: Non-Urgent Non-Executive Non-Key

Title: FINANCIAL PLANNING/RISK RESERVE

Contact Officer: Graham Walton, Democratic Services Manager
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Chief Officer: Mark Bowen, Director of Corporate Services

Ward: N/A

1. Reason for report

- 1.1 At its meeting on 24th March 2015 the Executive considered a fifth budget monitoring report for 2014/15, based on expenditure and activity levels up to the end of January 2015. One of the recommendations which the Executive approved was that Council should be recommended to create a Financial Planning/Risk Reserve.

2. **RECOMMENDATION**

That Council approves the creation of a Financial Planning/Risk Reserve as recommended by the Executive.

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: Not Applicable:
 3. Budget head/performance centre: Not Applicable
 4. Total current budget for this head: Not Applicable
 5. Source of funding: Not Applicable
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Staff

1. Number of staff (current and additional): Not Applicable
 2. If from existing staff resources, number of staff hours: Not Applicable
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Legal

1. Legal Requirement: None:
 2. Call-in: Not Applicable: Full Council decisions are not subject to call-in.
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Not applicable
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not applicable

3. COMMENTARY

- 3.1 At its meeting on 24th March 2015 the Executive considered the budget monitoring position for 2014/15 and agreed a number of recommendations relating to the current financial position. One of the recommendations approved requires authorisation from full Council – this is the proposal to create a Financial Planning/Risk Reserve with £5m funding from 2014/15 underspends to help ensure that the Council is well-placed to meet budget gaps in future years. The proposal was set out in section 4.4 of the report to the Executive on 24th March (page 10 of the Budget Monitoring report/page 62 of the agenda) and is reproduced in full below –

“4.4 Financial Planning/Risk Reserve

- 4.4.1 The 2015/16 council tax report identified the latest financial projections and an increasing future year's budget gap due to the impact of inflation, service cost pressures and ongoing significant reductions in government funding during this austerity period. After allowing for savings reflected in the 2015/16 Budget further savings of over £50m per annum are required by 2018/19. 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 will lead to significant further reductions in government funding particularly as health and education remain 'protected' by central government (even if an alternative Government was elected there would be plans to eliminate the national budget deficit).
- 4.4.2 A recent survey indicated that more than half of council's say they will not have enough money to provide essential services in the next financial year. The Institute for Fiscal Studies advise that the worst of UK spending cuts are still to come (with 60% of cuts are still to come and public spending, as a percentage of GDP, set to fall to its lowest level for 80 years by the end of the decade).
- 4.4.3 This report identifies under spends in 2014/15 relating to prior year adjustments, early achievement of savings as part of 2015/16 Budget, departmental spend and the council's central contingency sum. The under spends 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.
- 4.4.4 In previous years Members have set aside monies from overall underspends to support funding of invest to save initiatives, support economic growth and provide investment monies to achieve an increase in sustainable income for the Council which helps protect key services.
- 4.4.5 The 2014/15 final outturn report in June will seek to identify any resources available to increase the Council's Investment Fund. There remains a need to also consider using monies from the overall underspends to provide a new Financial Planning/Risk Reserve. The purpose of this reserve would be to provide a buffer to deal with the impact of the ongoing budget gap and possible utilisation of the reserve to support future year's budgets. Although this reflects one off monies, it will provide transitional support given the transformational challenges facing the Council and the need to become an organisation with considerable fewer resources in the future. The future utilisation of the reserve to support future year's budgets will be an issue for Executive.
- 4.4.6 Executive are requested to recommend to Council the creation of a Financial Planning/Risk Reserve with funding of £5m from the 2014/15 underspends. Any request for funding relating

to the Council's Investment Fund will be reported to Executive in June as part of the 2014/15 Outturn report.

- 4.4.7 These actions will help ensure that the council is better placed to meet the future years budget gap and any future opportunity for increasing investment income will also help provide a more sustainable financial outcome for the future.”

Non-Applicable Sections:	Policy/Financial/Legal/Personnel
Background Documents: (Access via Contact Officer)	Report to the Executive on 24 th March 2015 – Budget Monitoring 2014/15