

Decision Maker: Executive

Date: 10th June 2015

Decision Type: Non-Urgent Executive Non-Key

Title: PROVISIONAL FINAL ACCOUNTS 2014/15

Contact Officer: James Mullender, Finance Manager
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Chief Officer: Director of Finance

Ward: Borough Wide

1. Reason for report

- 1.1 This report considers the 2014/15 provisional outturn at portfolio level and Council wide as well as the potential implications for the Council's financial position in 2015/16. The purpose of the report is to give a broad overview of the financial outturn. The 2014/15 provisional outturn shows an overall net nil movement in balances. This consists of net variations of Cr £2.4m on services, Dr £4.9m on central items and carry forwards, prior year adjustments of Cr £3.8m, carry forwards from 2013/14 of Dr £1.6m and general grants of Cr £0.3m.
- 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.
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2. **RECOMMENDATIONS**

2.1 **Executive are requested to:**

- (a) consider the provisional revenue and capital outturns for the 2014/15 financial year, and the earmarked balances on the General Fund as at 31st March 2015;
- (b) note that a more detailed analysis of the 2014/15 final outturn will be reported for each Portfolio to the Relevant PDS committees;
- (c) consider the variations in 2014/15 impacting on the Council's 2015/16 financial position;
- (d) consider the comments from the Education, Care and Health Services Department, the Director of Transformation and Regeneration and the Director of Environment and Community Services as detailed in Appendix 1B;

- (e) note the carry forwards of £484k relating to repairs and maintenance, approved under delegated powers as detailed in Appendix 5;**
- (f) approve the requests for carry forwards totalling £1,186k (net) as detailed in Appendix 5, subject to the funding being allocated to the Central Contingency, to be drawn down on the approval of the relevant Portfolio Holder;**
- (g) agree to release a total of £2,248k funding from Central Contingency as detailed in para 3.2.1;**
- (h) note the return to the Central Contingency of a total of £578k para 3.2.2;**
- (i) note the Prior Year Adjustments totalling £3,754k as detailed in section 3.4;**
- (j) recommend to Council the transfer of £10,165k to the Investment Fund as detailed in section 4.1;**
- (k) recommend to Council the creation of a Business Rates Risk Reserve of £1,200k as detailed in section 4.2;**
- (l) recommend to Council the transfer of £1,250k to the Healthy Bromley Fund as detailed in section 4.3;**

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: £213.8m
 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): 3,760 (per 2014/15 Budget), which includes 1,777 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 2014/15 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

3. Have Ward Councillors been asked for comments? N/A.
4. Summary of Ward Councillors comments: Council wide

3 COMMENTARY

3.1 Provisional Final Outturn 2014/15

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 2014/15 is shown in the table below.

3.1.2 The 2014/15 provisional outturn shows an overall net nil movement in balances subject to approval of the transfer to the Investment Fund, Business Rates Risk Reserve and the Healthy Bromley Fund, as detailed in sections 4.1, 4.2 and 4.3.

Portfolio	2014/15 Original Budget £'000	2014/15 Latest Budget £'000	2014/15 Provisional Outturn £'000	2014/15 Variation £'000
Care Services	104,941	105,025	105,820	795
Education	4,649	5,283	5,037	Cr 246
Environment	32,699	33,480	32,129	Cr 1,351
Public Protection & Safety	2,526	2,331	2,259	Cr 72
Renewal & Recreation	8,370	8,799	8,614	Cr 185
Resources	39,218	40,900	39,569	Cr 1,331
Total Controllable Budgets	192,403	195,818	193,428	Cr 2,390
Capital Charges and Insurance	16,827	29,454	29,454	0
Non General Fund Recharges	Cr 916	Cr 847	Cr 847	0
Total Portfolio Budgets	208,314	224,425	222,035	Cr 2,390
Adj. for carry forwards from 2014/15 to 2015/16	0	0	1,640	1,640
Capital, Insurance & Pension acct requirements	Cr 15,735	Cr 28,205	Cr 28,156	49
Total Portfolio Budgets adj. for carry forwards and accounting requirements	192,579	196,220	195,519	Cr 701
Contingency Provision	11,850	4,686	0	Cr 4,686
Interest on General Fund Balances	Cr 1,591	Cr 1,591	Cr 3,441	Cr 1,850
Contribution to Investment Fund and Other Reserves	8,004	8,004	8,004	0
Contribution to Bromley Youth Music Trust Reserve	0	77	77	0
Contribution to Financial Planning/Risk Reserve	0	5,000	5,000	0
Contribution to Business Rates Risk Reserve	0	0	1,200	1,200
Contribution to Investment Fund	0	0	10,165	10,165
Net LRB receipt	0	0	Cr 4	Cr 4
Levies	1,423	1,423	1,423	0
Total Central Items	19,686	17,599	22,424	4,825
Total Variation on Services and Central Items	212,265	213,819	217,943	4,124
Prior Year Adjustments	0	0	Cr 3,754	Cr 3,754
Total Variation	212,265	213,819	214,189	370
Carry forwards from 2014/15 to 2015/16	0	0	Cr 1,640	Cr 1,640
Net Variation (after allowing for carry forwards)	212,265	213,819	212,549	Cr 1,270

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

3.2 Central Contingency Sum

3.2.1 The 2014/15 Central Contingency contained various provisions which reflected uncertainty around potential costs, grants and service pressures. There is a total

variation of £4.7m relating to provisions that were not required in the 2014/15 financial year, subject to the approval to release a total of £2,248k as detailed below. Further details of these requests, and the allocations from, and variations in, the 2014/15 Central Contingency are included in Appendix 3.

Contingency Item	Amount £'000
Education Services Grant	313
Merit Awards	62
Local Elections	406
Biggin Hill Airport	25
Welfare Fund	442
Public health	671
Winter Resilience	329
	2,248

3.2.2 Certain amounts previously allocated have not been required and have therefore been returned to the Central Contingency; £47k relating to Deprivation of Liberty, £314k relating to Growth in Children's Social Care and £217k relating to provision for Homelessness. Further details are provided in Appendix 3.

3.2.3 It is proposed that the overall underspends remaining, including the Central Contingency, will be utilised to provide one-off funding for the Council's Investment Fund, which will be used to generate ongoing income for the Council. Further details on the Investment Fund are provided in section 4.1

3.3 General Fund Balances

3.3.1 Subject to approval of the proposals detailed in the report, and taking account of the final outturn on Portfolio budgets and Central Items, there will be nil variation on the level of general reserves as at 31st March 2015 as detailed below:

	2014/15 Provisional Outturn £'000
General Fund Balance as at 1st April 2014	Cr 20,000
Net variations on Services and Central Items	Cr 1,554
Carry forwards from 2013/14	1,554
General Fund Balance as at 31st March 2015	Cr 20,000

3.4 Prior Year Adjustments resulting in a Credit Provision in the Accounts of £3,754k

3.4.1 As referred to in the last budget monitoring report, provisions made in prior years for Learning Disability are no longer required and have therefore been released in 2014/15 resulting in a credit of £1.4m. This is in the main due to a dispute with a provider in regard to potential back payments being resolved and the release of a contingency set aside for campus re-provision. It was assumed that an element of attrition would be factored in for continuing care clients. This has not happened and so this can now be released.

3.4.2 Provisions made in prior years for Children's Social Care are no longer required and have therefore been released in 2014/125 resulting in a credit of £1.1m. This includes an

adjustment to budgets due to DSG contribution movements that are no longer required, backdated provisions for the Tower Hamlets judgement and Adoption allowances no longer needed and general provisions to cover late notifications of placements/ inaccurate data collection.

- 3.4.3 Provisions made in prior years for Adult Social Care are no longer required and have therefore been released in 2014/15 resulting in a credit of £281k. The provision was made in regard to placements budgets and inaccurate data/late notifications of placements. Whilst some was used in year, £281k is no longer required and will need to be released.
- 3.4.4 At the end of 2013/14 provision was made for a possible loss of Housing Benefit subsidy for Local Authority errors and administrative delay overpayments. This element of subsidy is based on the value of errors above a set threshold and it is prudent to allow for a reduction in subsidy as a result of any errors that might be picked up and extrapolated as part of the audit of the final subsidy claim and result in lower subsidy levels. The claim has now been audited, with the only amendments to the final claim amount of £129m pertaining to unrelated overpayment issues, so the provision of £489k was no longer required and therefore released.
- 3.4.5 As part of the closing of accounts for 2012/13 a provision of £75k was made for a potential claim under the right-to-buy scheme by a tenant at a property now owned by Affinity Sutton. The case has now been through the legal and appeals process and it was awarded that this claim did not come under the right-to-buy scheme and that the authority was not liable for any costs. As a result of this the original provision of £75k has now been released back into revenue.
- 3.4.6 A sum of Cr £288k relates to backdated council tax benefit adjustments which under the new Council Tax Support Scheme does not result in a corresponding loss in subsidy.

3.5 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:

	2014/15 Budget £'000	2015/16 Impact £'000
Care Services Portfolio		
Assessment & Care Management	24,030	Cr 43
Learning Dsisabilities Care Management	3,532	Cr 60
Children's Placements	16,905	Cr 200
Adults with Learning Difficulties	Cr 440	Cr 150
Mental Health Services	148	Cr 100
Housing Needs	5,564	168
		Cr 385
Education Portfolio		
Adult Education	Cr 601	600
Schools & Early Years Commissioning & QA	565	Cr 179
Education Services Grant	Cr 2,419	357
		778
Environment Portfolio		
Waste	18,080	700
		700
Resources Portfolio		
Operational Property - planned	2	152
Mayoral	177	Cr 32
Investment Income	6,463	649
		769
TOTAL		1,862

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

3.6 Interest on Balances

3.6.1 A rate of 1% was assumed in the 2014/15 budget for interest on new investments and the budget for net interest earnings was set at £1,591k. Interest rates still show no real sign of increasing and Capita now expect the Bank of England base rate to begin to rise slowly from around the middle of 2016. There have been no improvements to counterparty credit ratings, which means that the restrictions to investment opportunities that followed ratings downgrades in recent years have still been in place. However, the increases in the limits for the two part-nationalised banks (Lloyds and RBS) approved by the Council in October, together with higher rates from longer-term deals placed with other local authorities, higher average balances than anticipated and the strong performance of the CCLA Property Fund investment, resulted in a considerable improvement in interest earnings in 2014/15.

3.6.2 In the January revenue budget monitoring report, it was estimated that the 2014/15 outturn for interest earnings would be around £1.1m above budget, although it was noted that this projection excluded potential returns from the £10m invested in two diversified growth funds in late-December. These realised an additional £0.6m in just over three months to 31st March 2015, as a result of which the final outturn increased to £3,441k, £1,850k above budget. Additional income of £1.2m is included in the 2015/16 budget.

4 EARMARKED RESERVES

4.1 Investment Fund

4.1.1 As in previous years, it is proposed to transfer the remainder of the underspends on the Council's budget to the Investment Fund, once an adjustment has been made to maintain

the level of general reserves at £20m, as proposed in the 2015/16 Council Tax report to Executive in February 2015.

- 4.1.2 As can be seen in section 3.1, this results in a transfer of £10.165m to the Investment Fund for 2014/15, and Executive is requested to recommend this transfer to Council.
- 4.1.3 As previously reported to Members, previous and future acquisitions from the Investment Fund are expected to provide annual income of £4m by 2016/17.
- 4.1.4 A detailed analysis of these Funds is provided in the Capital Outturn report elsewhere on the agenda. As at 31st March 2015, the actual balances were £33.7m on the Investment Fund (including the transfer of £10.2m above) and £10.0m on the Growth Fund.

4.2 Business Rates Risk Reserve

- 4.2.1 As detailed in section 11.3 below, the volatility arising from the level of downward revaluations and outstanding appeals provides a significant challenge in accurately forecasting the level of business rates income that the Council can retain under the recently introduced Business Rates Retention Scheme. In 2014/15 some £1,046k of the overall deficit was apportioned to Bromley in addition to a deficit share of £593k in 2013/14 (total £1,639k). Although the 2015/16 budget includes provision for £1,573k of this, based on the estimated position in January, there may well be further volatility during 2015/16 and in future years.
- 4.2.2 Executive are therefore requested to recommend to Council the setting aside of £1.2m in an earmarked reserve to manage the impact of any unexpected reductions in retained business rate income.

4.3 Healthy Bromley Fund

- 4.3.1 A sum of £769k was carried forward from 2013/14 to 2014/15 and included in the central contingency. Although £98k was used for weight management programmes, the rest remained in contingency. Other underspends have been generated in year of £579k. These have been utilised by offsetting against expenditure in other Public Health related areas creating a surplus that is recommended to be transferred to the Healthy Bromley earmarked reserve. The Healthy Bromley Fund is an earmarked reserve that is used to fund public health related projects across the borough.
- 4.3.2 Executive are requested to recommend to Council the transfer of £1.25m to the Healthy Bromley Fund.

4.4 Other Earmarked Reserves

- 4.4.1 A summary of the balances on the reserves above and all other earmarked reserves is provided in Appendix 6, and the Invest to Save Fund in Appendix 9.

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 2014/15 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 2015 include, unsettled insurance claims £1.7m, NNDR and Council Tax credit balances £2.2m and Business Rates provision for backdated appeals £1.8m.

6 CAPITAL EXPENDITURE AND RECEIPTS

6.1 Capital Expenditure

6.1.1 The final capital outturn (actual expenditure) for the year was £50.5m, which compared with the original estimate of £50.6m approved by the Executive in February 2014 and with the latest approved budget of £52.5m agreed in February 2015. 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.

6.2 Capital Receipts

6.2.1 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 £30.3m, including an unapplied balance of £22.0m brought forward from 2013/14. A total of £1.4m was applied in 2014/15 and a balance of £28.9m has been carried forward to finance capital expenditure in future years. No capital contribution from the General Fund was required in 2014/15. Further details are included in the capital outturn report elsewhere on this agenda.

7 TREASURY MANAGEMENT - 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 2014/15. The final outturn report (including details of activity in the 4th quarter) will be considered by the Executive and Resources PDS Committee on 9th July. The Council had no temporary borrowing outstanding at 31st March 2015 and the balance of investments (including accrued interest) on that date was £256.7m (£248.3m as at 31st March 2014).

8 SECTION 106

8.1 An update on balances as at 31st March 2015 is included in Appendix 7 of this report. Further details on the arrangements for utilising Section 106 monies will be provided in the “Section 106 Agreements: Update” report to Executive and Resources PDS Committee on 3rd June 2015.

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.

9.2 There is a total in-year underspend of £940k on DSG funded services, with a total to carry forward to 2015/16 of £9,886k. 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 of the in-year variation and plans for spending some of the amount carried forward are provided in Appendix 8.

10 ACADEMIES

- 10.1** During the 2014/15 financial year 14 primary schools and the Pupil Referral Unit have converted to academy status.
- 10.2** The impact of these arrangements is 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; during 2014/15 total balances have reduced from £6,767k to £4,544k.
- 10.3** Further details of schools' balances are provided in Appendix 8.

11 COLLECTION FUND

- 11.1** It is a statutory requirement to maintain a Collection Fund at arm's length from the remainder of the Council's accounts. The Fund is credited with income from Council Tax and Business Rates and charged with sums payable to the Council, GLA and Central Government.
- 11.2** There is a Council Tax surplus on the fund in 2014/15 of £6.3m. The surplus income is mainly due to good debt recovery levels despite the previous 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. The financial impact of the council tax support scheme was also lower than budgeted. A sum of £1.4m will be allocated to the GLA and £4.9m to the Council in 2016/17.
- 11.3** There is an overall deficit of £3.5m relating to the collection and distribution of Non Domestic Rates under the recently introduced Business Rates Retention Scheme. This is mainly due to downward revaluations of properties during the year and an increase in the provision for outstanding appeals based on more recent information from the Valuation Office Agency. This highlights the challenges of predicting accurate levels of retained business rates under the new scheme and the volatility of projections arising from successful appeals. Of the 2014/15 deficit, £1.75m will be allocated to Central Government, £0.7m to the GLA and £1.05m to Bromley. An estimated deficit of £0.98m was reflected in the 2015/16 budget and, in accordance with statutory provisions, the small variation (£0.07m) will be allocated in 2016/17.

12 FINANCIAL CONTEXT

- 12.1** The 2015/16 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 "2015/16 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 as health and education remain "protected" by central government.
- 12.2** The provisional 2014/15 outturn identifies underspends from prior year adjustments, departmental spend and the Council's central contingency sum. In addition there are savings from the early release of 2015/16 Budget savings and changes to the treasury management strategy to improve investment returns. 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. The approach to reserves was reported in the 2015/16 Council Tax report to Executive in February 2015.

13 STATUTORY ACCOUNTS

- 13.1** The audited statutory accounts for 2014/15 will be reported to the General Purposes and Licensing Committee meeting on 17th September 2015, which meets the statutory deadline of 30th September 2015 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 in Appendix 1B.

15 FINANCIAL IMPLICATIONS

- 15.1** These are contained within the body of the report with additional information provided in the appendices

Non-Applicable Sections:	Legal, Personnel
Background Documents: (Access via Contact Officer)	<p>2015/16 Council Tax – Executive 11th February 2015</p> <p>Budget Monitoring Reports in 2014/15 - Executive</p> <p>Financial Management Budget Monitoring files across all Portfolios.</p> <p>Provisional final Accounts - Executive 10th June 2014 Draft 2014/15 Budget and Update on Council's Financial strategy 2015/16 to 2017/18 - Executive 15th January</p> <p>2014/15 Budget Monitoring file held by Technical and Control Finance Section Capital Programme Outturn 2014/15 (elsewhere on the agenda)</p>