

Decision Maker: Executive Council

Date: 15th June 2016
4th July 2016

Decision Type: Non-Urgent Executive Non-Key

Title: PROVISIONAL FINAL ACCOUNTS 2015/16

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Chief Officer: Director of Finance

Ward: Borough Wide

1. Reason for report

- 1.1 This report considers the 2015/16 provisional outturn at portfolio level and Council wide as well as the potential implications for the Council's financial position in 2016/17. The purpose of the report is to give a broad overview of the financial outturn. The 2015/16 provisional outturn provides for no variation in general fund balances, subject to the recommendations in this report being agreed. The summary variations are made up of Cr £7.2m on services offset by carry forwards of Dr £1.7m, Dr £8.4m on central items (assuming the recommendations in this report are approved), prior year adjustments of Cr £1.6m and general grants & retained business rates of Cr £1.3m.
- 1.2 More detailed reports will be submitted to individual PDS Committees and the Education Budget Sub-Committee. 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. **RECOMMENDATION(S)**

2.1 **Executive are requested to:**

- (a) consider the provisional revenue and capital outturns for the 2015/16 financial year, and the earmarked balances on the General Fund as at 31st March 2016;
- (b) note that a more detailed analysis of the 2015/16 final outturn will be reported for each Portfolio to the Relevant PDS committees;
- (c) consider the variations in 2015/16 impacting on the Council's 2016/17 financial position;

- (d) consider the comments from the Education, Care and Health Services Department, the Director of Transformation and Regeneration and the Executive Director of Environment and Community Services as detailed in Appendix 1B;**
- (e) note the carry forwards of £301k relating to repairs and maintenance, approved under delegated authority as detailed in Appendix 5;**
- (f) approve the requests for carry forwards totalling £1,401k (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 £589k funding from Central Contingency as detailed in para 3.2.1;**
- (h) note the return to the Central Contingency of £45k as detailed in para 3.2.2;**
- (i) agree that a sum of £97,400 be set aside from the 2015/16 underspends in the Central Contingency as detailed in paras 3.2.3 and 3.2.4;**
- (j) note the Prior Year Adjustments totalling £1,577k as detailed in section 3.4;**
- (k) recommend to Council the transfer of £7,024k to the Growth Fund as detailed in section 4.2.**

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: £205.5m
 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): 3,218 (per 2015/16 Budget), which includes 1,356 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 2015/16 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 2015/16

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 2015/16 is shown in the table below.

3.1.2 The 2015/16 provisional outturn shows no overall net movement in general fund balances, subject to approval of the contribution to the Growth Fund, as detailed in section 4.2.

Provisional Outturn on Services & Central Items	2015/16 Original Budget £'000	2015/16 Latest Budget £'000	2015/16 Provisional Outturn £'000	2015/16 Variation £'000
Portfolio				
Care Services	102,794	100,808	96,458	Cr 4,350
Education	5,124	6,088	6,110	22
Environment	32,095	33,141	32,092	Cr 1,049
Public Protection & Safety	2,120	2,125	2,015	Cr 110
Renewal & Recreation	9,214	9,403	9,042	Cr 361
Resources	37,869	39,233	37,919	Cr 1,314
Total Controllable Budgets	189,216	190,798	183,636	Cr 7,162
Capital Charges and Insurance	20,980	7,595	7,595	0
Non General Fund Recharges	Cr 793	Cr 827	Cr 827	0
Total Portfolio Budgets	209,403	197,566	190,404	Cr 7,162
Adj. for carry forwards from 2015/16 to 2016/17	0	0	1,702	1,702
Capital, Insurance & Pension a/c requirements	Cr 19,698	Cr 6,338	Cr 6,388	Cr 50
Total Portfolio Budgets (adj. for carry forwards and accounting requirements)	189,705	191,228	185,718	Cr 5,510
Contingency Provision	14,003	949	0	Cr 949
Interest on General Fund Balances	Cr 2,741	Cr 2,741	Cr 4,269	Cr 1,528
Contribution to Investment Fund	4,400	4,400	4,541	141
Contribution to Growth Fund	0	12,500	12,500	0
Further Contribution to Growth Fund (subject to approval)	0	0	7,024	7,024
Contribution to Business Rates Risk Reserve	0	0	3,000	3,000
Funding for One-Off Member Initiatives	0	0	750	750
Contribution to Other Reserves	0	701	701	0
Utilisation of Prior Year Collection Fund Surplus	Cr 2,964	Cr 2,964	Cr 2,964	0
LRB receipt	0	0	Cr 44	Cr 44
Levies	1,427	1,427	1,427	0
Total Central Items	14,125	14,272	22,666	8,394
Total Variation on Services and Central Items	203,830	205,500	208,384	2,884
Prior Year Adjustments	0	0	Cr 1,577	Cr 1,577
Total Variation	203,830	205,500	206,807	1,307
Carry forwards from 2015/16 to 2016/17	0	0	Cr 1,702	Cr 1,702
Net Variation (after allowing for carry forwards)	203,830	205,500	205,105	Cr 395

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 2015/16 Central Contingency contained various provisions which reflected uncertainty around potential costs, grants and service pressures. There is a total net variation of £0.9m relating to provisions that were not required in the 2015/16 financial year, subject to the approval to release a total of £589k as detailed below. Further details of the allocations from, and variations in, the 2015/16 Central Contingency are included in Appendix 3.

	£'000
Reduction in Education Services Grant	478
Staff Merit Awards	111
	589

- (a) as a result of the 14 academy conversions that occurred during 2015/16, there is a shortfall of income on the Education Services Grant budget of £478k. The effect of the reduction in grant has been included in Central Contingency, and it is requested that this amount be drawn down and allocated to the Education Portfolio.
- (b) as part of the introduction of Localised Pay, Members agreed a merited reward for exceptional performers and a provision of £200k was included in the Central Contingency. A request is made to drawdown £111k to fund the expenditure for the rewards in 2015/16. The remaining balance of £89k has been included in the carry forward requests as detailed in appendix 5.
- 3.2.2 In addition, the sum of £45k relating to Deprivation of Liberty, has been returned to the Central Contingency. The 2015/16 budget included growth pressures of £628k to cover additional costs relating to Deprivation of Liberty Safeguards (DoLS) following a Supreme Court judgement which had resulted in an increase in the number of applications submitted to Court. £314k of this sum was allocated to the Care Services Portfolio with the balance being held in the Contingency. However, not all of the funding was required in-year and £45k has therefore been returned as unused.
- 3.2.3 As detailed in a report elsewhere on the agenda, Members are requested to agree that a sum of £47,400 be set aside from the 2015/16 underspends in the Central Contingency to be used as match funding for the development work for the first round application to the HLF for the Biggin Hill Memorial Museum. A request for this sum to be carried forward is included in appendix 5.
- 3.2.4 There is a requirement to build a database that holds all of the information currently held on the Council's Contract Register along with additional information such as waivers approved, gate reports, audit issues, risks, etc. The new system will RAG status contracts automatically when they are due to end (currently officers do this manually which takes up quite a lot of officer time) and the database will link into the Council's finance system for the latest approved budget and projected expenditure, avoiding many of the manual processes which are currently undertaken. Some of this work can be undertaken within existing resources but a one off sum of £50k is required to fully develop the database and automate the manual processes. If agreed, it is anticipated that this work will be completed within the next 6 months. Members are requested to agree that a sum of £50k be set aside from underspends in the 2015/16 Central Contingency to meet the cost of this development. A request for this sum to be carried forward is included in appendix 5.

3.2.5 It is proposed that the overall underspends remaining, including those in the Central Contingency, will be utilised to provide one-off funding for the Council's Growth Fund to provide investment for economic development (see section 4.2). Economic development is a key priority for the Council, creating employment opportunities and generating additional income through business rate growth, investment income and new homes bonus.

3.3 General Fund Balances

3.3.1 Subject to approval of the proposals detailed in this report, and taking account of the final outturn on Portfolio budgets and Central Items, there will be no variation to the level of general reserves as at 31st March 2016 as detailed below:

	2015/16 Provisional Outturn £'000
General Fund Balance as at 1st April 2015	Cr 20,000
Net Variations on Services & Central Items (para 3.1)	Cr 395
Variations in Business Rates Retention Scheme and General Government Grants	Cr 1,275
	Cr 21,670
Adjustments to Balances:	
Carry Forwards (funded from underspends in 2014/15)	1,670
General Fund Balance as at 31st March 2016	Cr 20,000

3.4 Prior Year Adjustments resulting in a Net Credit Provision in the Accounts of £1,577k

3.4.1 As referred to in the last budget monitoring report, provisions made in prior years for Learning Disability and Mental Health services are no longer required and have therefore been released in 2015/16 resulting in a credit of £400k (compared to £350k previously reported). Although there is some evidence of additional unknown clients coming through, it is not at the same level as previously seen.

3.4.2 At the end of 2014/15 provision was made for a potential 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. The claim has now been audited and, in addition to the provision of £459k which is no longer required, DWP has agreed an additional amount of £138k subsidy relating to the classification of overpayments.

3.4.3 A provision for termination costs relating to a transferred service has been held for some years against the possibility of potential claims for redundancy, legal costs and compensation at the ceasing of the contract. The likelihood is getting smaller that there will be any call on this funding so the £300k provision has been released.

3.4.4 In line with accounting requirements, provision is made against bad and doubtful debts arising from the non-collection or write off of income. This is across all services including council tax, business rates, housing benefits, parking enforcement and all other general income streams. These provisions are reviewed annually and, as part of the 2015/16 closing, there has been an overall net reduction of £496k in the required provision.

- 3.4.5 A credit of £250k (previously reported £225k) relates to backdated Council Tax benefits adjustments which, under the new Council Tax Support Scheme, do not result in a corresponding reduction in subsidy.
- 3.4.6 Following Skills Funding Agency scrutiny of the 2014/15 Adult Education outturn report submitted in October, notification was received that there would be a clawback of £122k in 2015/16 mainly related to mandated ESOL funding and 24+ Advanced Learning Loans. In the main, this is because the volume of learners expected did not materialise to generate all of the funding allocated. The SFA have since discontinued elements of this funding and the Adult Education Service have re-organised which will mitigate any future impact on the service moving forward.
- 3.4.7 There is a charge of £344k relating to a tax liability from previous years. Details were reported to the Executive on 23rd March 2016 as a Part 2 supplementary report.

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:

	2015/16 Budget £'000	2016/17 Impact £'000
Care Services Portfolio		
Assessment & Care Management	23,591	Cr 603
Learning Disabilities Care Management	3,655	198
Early Achievement of Savings *	0	Cr 2,192
		Cr 2,597
Environment Portfolio		
Waste	18,087	Cr 270
Highways (inc. London Permit Scheme)	7,219	145
		Cr 125
Resources Portfolio		
Investment Income	Cr 7,396	Cr 995
		Cr 995
TOTAL		Cr 3,717
* reflects savings achieved in 2015/16 across the whole Portfolio. The full year effect of these savings are already reflected in the 2016/17 budget.		

- 3.5.2 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.
- 3.5.3 Further details, including action to be taken to contain future cost pressures, are included in Appendix 4.

3.6 Interest on Balances

- 3.6.1 A rate of 1% was assumed in the 2015/16 budget for interest on new investments and the budget for net interest earnings was set at £2.7m. Interest rates still show no real sign of increasing and Capita maintain their projection that the Bank of England base rate will not rise until early 2017. 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, increases in the limits for the two part-nationalised banks (Lloyds and RBS) approved by the Council in October 2014, 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, have resulted in a considerable improvement in interest earnings in 2015/16.
- 3.6.2 In the December revenue budget monitoring report, it was estimated that the 2015/16 outturn for interest earnings would be around £1.0m above budget. The final outturn increased to £4.3m, £1.5m above budget, as a result of further investment in the CCLA Property Fund as well as an upturn in dividends received from one of the Diversified Growth Funds. Additional income of £0.8m is included in the 2016/17 budget to reflect the increased interest rates being achieved, partly offset by a reduction to balances as a result of further property acquisitions.
- 3.6.3 Details of the Council's Treasury Management Strategy were reported to Council on 22nd February 2016.

4 EARMARKED RESERVES

- 4.1 As reported to the Executive previously, the Council has reduced its level of general reserves (general fund reserves in 1997 were £131 million). Part of the reduction reflects funding directed towards the Growth Fund and the Investment Fund. These funds will help support the achievement of sustainable savings and income to the Council.

4.2 Growth Fund

- 4.2.1 A key priority for the Council is economic development and inward investment which was reflected in the Local Plan report to Executive in February 2013. Supporting economic growth and new investment creates employment opportunities, potentially reduces the cost of council tax support and generates income through business rates, new homes bonus and other investment opportunities.
- 4.2.2 Members have previously approved the allocation of £10m to be ring-fenced for investments which support growth in the Biggin Hill area (£3.5m), Cray Corridor (£3.5m) and Bromley Town Centre (£3m). There are further opportunities to support economic development and on 5th October the Chancellor set out plans to fully devolve 100% of business rates to local government (includes GLA for London) by 2020. Although this change is expected to be cost neutral, it will provide an opportunity to generate additional income through the uplift in business rate income arising from economic growth as the Council will retain a higher share. Generating additional income will become more critical as the Council will lose core government funding in the future.
- 4.2.3 Following consideration by the Executive on 2nd December 2015, Council approved that £6.5m of the 2015/16 underspend on services and the Central Contingency be transferred to the Growth Fund. The transfer of a further £6m in one-off funding was agreed by Council following consideration by the Executive on 23rd March 2016.

- 4.2.4 The Council will continue to seek opportunities to invest in growth and economic development and a “Growth Fund Review” was reported to the Executive on 18th May 2016. This report sought to provide a strategic review of growth projects and set out a series of proposed recommendations for the next stage of the work programme. The report also identified significant opportunities available, subject to the necessary funding being in place.
- 4.2.5 It is proposed to transfer the remainder of the underspends on the Council’s budget to the Growth Fund. As set out in para. 3.1, this would result in the transfer of a further £7m into the Growth Fund for 2015/16. A detailed analysis of this Fund is provided in the Capital Programme Outturn report elsewhere on the agenda. As at 31st March 2016 the unallocated balance (after allowing for the approved expenditure in para. 4.2.2) was £12.5m which will increase to £19.5m should the proposed transfer be agreed.
- 4.2.6 The setting aside of this additional funding will also require the approval of Council and any future release of these monies will be subject to a detailed report to Members for approval.

4.3 Investment Fund

- 4.3.1 At the meeting of the Executive on 14th January 2015, as part of the draft 2015/16 budget, Members agreed the setting aside of the 2015/16 New Homes Bonus as a contribution to the earmarked reserve for the Investment Fund. The Fund is used primarily for property investments to enable the Council to achieve investment income which exceeds treasury management rates. As at 31st March 2016, the uncommitted balance on the Fund stood at £18.6m (including £16.2m allocation set aside from capital receipts).
- 4.3.2 As part of the 2016/17 draft budget Members agreed to the setting aside of the 2016/17 New Homes Bonus (£7.4m) which will increase the uncommitted balance on the Fund to £26m.
- 4.3.3 The Council’s acquisition of investment properties through utilisation of the Investment Fund has resulted in actual and planned property acquisitions generating potential income of £3.7m per annum with further income of £1.3m assumed in the 2016/17 budget (net income of £4.5m after allowing for foregone interest earnings from treasury management).
- 4.3.4 A detailed analysis of this Fund is provided in the Capital Programme Outturn report elsewhere on the agenda.

4.4 Business Rates Risk Reserve

- 4.4.1 Under the recently introduced Business Rates Retention Scheme, it has become increasingly difficult to forecast the level of business rates income that the Council can retain and this is compounded by the level of downward revaluations and successful appeals. The number and estimated value of outstanding appeals provides a significant challenge in forecasting income levels with any degree of accuracy. This could well result in further volatility in 2016/17 and future years.
- 4.4.2 Following consideration by the Executive on 23rd March 2016, Council agreed to set aside £3m in an earmarked reserve to provide a general provision to reflect the financial risks relating to the Council’s share of business rate income. This provision would cover potential changes relating to the backlog of outstanding valuation appeals and uncertainty relating to government funding to meet the loss of income arising from changes to small business rate relief and increasing the associated thresholds announced as part of the Chancellor’s 2016 Budget.

4.5 Better Care Fund (BCF) Objectives

- 4.5.1 In view of the ambitious programme to deliver BCF Objectives, an element of the budget has required re-profiling into 2016/17. On 22nd February 2016, Council agreed that a sum of £3,100k be set aside as an earmarked reserve in order to allow the continuation of agreed joint schemes and to be used as pump priming investment for more cost effective delivery models across Health and Social care in Bromley.

4.6 Other Earmarked Reserves

- 4.6.1 A summary of the actual balances as at 31st March 2016 on the earmarked reserves set out above and all other earmarked reserves is provided in Appendix 6. An analysis of the Invest to Save Fund is also provided in Appendix 9.

5 CONTINGENT LIABILITIES AND PROVISIONS

- 5.1 Details of 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 31st March 2016 include unsettled insurance claims (£1.6m), NNDR and Council Tax credit balances (£2.6m), backdated business rates appeals (£2.1m), and potential further redundancy costs (£1.1m).

6 CAPITAL EXPENDITURE AND RECEIPTS

6.1 Capital Expenditure

- 6.1.1 The final capital outturn (actual expenditure) for the year was £76.2m, compared with the original estimate of £64.2m approved by the Executive in February 2015 and with the latest approved budget of £81.3m agreed in February 2016 (adjusted for the further £3.7m approved in March 2016 for property acquisitions). At that time, further slippage of £2.5m was assumed for capital financing purposes so the overall variation in the capital financing requirement (capital receipts, government grants, other external contributions and revenue contributions) is £2.6m.

- 6.1.2 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 £36.2m, including an unapplied balance of £28.9m brought forward from 2014/15. A total of 3.4m was applied in 2015/16 and a balance of £32.8m has been carried forward to finance capital expenditure in future years. No capital contribution from the General Fund was required in 2015/16. 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 2015/16. The final outturn report (including details of activity in the 4th quarter) will be considered by the Executive and Resources PDS Committee on 7th July 2016. As at 31st March 2016, the balance of investments (including accrued interest) stood at £288.2m. At that date, the Council had a total of £24.4m short term temporary borrowing which was fully repaid by 4th April 2016. This was primarily due to activity in quarter four, mainly relating to the purchase of 3 investment properties and an anticipated capital receipt not being realised. As at 31st March 2015 there was no temporary borrowing and £256.7m total investments.
- 7.2 Further details will be provided in the Treasury Management Annual Report to Executive and Resources PDS Committee on 7th July 2016.

8 SECTION 106

- 8.1 An update on balances as at 31st March 2016 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 7th July 2016.

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 overspend of £1,464k on DSG funded services, with a total to carry forward to 2016/17 of £3,683k. 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 2015/16 financial year 14 schools 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 Bromley's control and therefore have their own financial arrangements in place. This generally results in a reduction in maintained balances. During 2015/16 total balances have reduced from £4,544k to £4,017k.
- 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 2015/16 of £8.0m. 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 £1.6m will be allocated to the GLA and £6.4m to the Council in 2017/18.
- 11.3 There is an overall deficit of £1.2m 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 2015/16 deficit, £0.6m will be allocated to Central Government, £0.2m to the GLA and £0.4m to Bromley. In accordance with statutory provisions, this will be distributed in 2016/17 and has already been reflected in 2016/17 budget.
- 11.4 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. Although the in-year deficit has already been reflected in the 2016/17 budget, there may well be further volatility during 2016/17 and in future years.
- 11.5 A further complexity arises from the timing of income with a requirement for business rates to be accounted for through the Collection Fund. This means that in-year surpluses or deficits are distributed in either of the following two years, depending on when they are provisionally estimated, with any resulting variations from those provisional estimates being adjusted in the subsequent year.
- 11.6 In addition, funding provided by way of Section 31 grant to compensate authorities for reduced rating income associated with business rates measures announced in the 2013, 2014 and 2015 Autumn Statements are allocated directly to the general fund in the year they are due. This can result in the Collection Fund having an in-year surplus or deficit (which will impact on the general fund in a future year) whilst the general fund has an in-year variation relating to the receipt of these grants and the distribution of prior year Collection Fund variations.
- 11.7 The overall impact in 2015/16 is a deficit of £1.2m on the collection fund as detailed in para. 11.3 (£0.4m of which will be distributed to the Council in 2016/17) and a net credit variation in the Council's general fund of £1.3m.
- 11.8 There is expected to be underlying growth in business rates in 2016/17 and the Council will benefit from its respective share of 30%.

12 FINANCIAL CONTEXT

- 12.1 The 2016/17 Council tax report identified the latest financial projections and a future year budget gap due to the impact of inflation, service and cost pressures and ongoing significant reductions in government funding. More details were reported in the "2016/17 Council Tax" report to Executive in February.

- 12.2 The provisional 2015/16 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 2016/17 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, management of risk, effective use of government funding and meeting income targets.
- 12.3 As reported as part of the Council's financial strategy, a prudent approach has been adopted in considering the central contingency sum to mitigate against financial risks to partly reflect the significant changes that may follow a new Government. The approach also includes an ongoing need to consider "front loading" savings to ensure difficult decisions are taken early in the budgetary cycle, to provide some investment in specific priorities, to fund transformation and to support invest to save opportunities which provide a more sustainable financial position in the longer term. The contributions made to the Growth Fund will greatly assist in providing a more sustainable financial position for the Council as it moves to become "self-sufficient" in the longer term with the ongoing need to address the budget gap of £26m per annum by 2019/20 reported to Executive in February 2016.
- 12.4 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 2016/17 Council Tax report to Executive in February 2016.

13 STATUTORY ACCOUNTS

- 13.1 The audited statutory accounts for 2015/16 will be reported to the General Purposes and Licensing Committee meeting on 14th September 2016, which meets the statutory deadline of 30th September 2016 for reporting accounts under the Accounts & Audit Regulations 2015.

14 POLICY IMPLICATIONS

- 14.1 The "Building a Better Bromley" objective of being an Excellent Council refers to the Council's intention to provide efficient services and to have a financial strategy that focuses on stewardship and sustainability. Delivering Value for Money is one of the Corporate Operating Principles supporting Building a Better Bromley.
- 14.2 The "2016/17 Council Tax" report highlighted the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2016/17 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)	2016/17 Council Tax – Executive 10 th February 2016; Budget Monitoring Reports in 2015/16 – Executive; Financial Management Budget Monitoring files across all Portfolios; 2015/16 Budget Monitoring file held by Technical and Control Finance Section; Provisional final Accounts - Executive 10 th June 2015; Draft 2015/16 Budget and Update on Council's Financial strategy 2016/17 to 2018/19 - Executive 14 th January 2015; Capital Programme Outturn 2015/16 (elsewhere on the agenda).