

PART 1 - PUBLIC

Decision Maker: Executive Council

Date: 21st May 2018
30th May 2018

Decision Type: Non-Urgent Executive Non-Key

Title: PROVISIONAL FINAL ACCOUNTS 2017/18

Contact Officer: Tracey Pearson, Chief Accountant
Tel: 020 8313 4323 E-mail: tracey.pearson@bromley.gov.uk

Chief Officer: Director of Finance

Ward: Borough Wide

1. Reason for report

- 1.1 This report considers the 2017/18 provisional outturn at portfolio level and Council wide as well as the potential implications for the Council's financial position in 2018/19. The purpose of the report is to give a broad overview of the financial outturn.
- 1.2 The 2017/18 provisional outturn provides for no variation in general fund balances, subject to the recommendations in this report being agreed.
- 1.3 More detailed reports will be submitted to individual PDS Committees and the Education, Children and Families Budget and Performance 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 2017/18 financial year and the earmarked balances on the General Fund as at 31st March 2018;
- (b) note that a more detailed analysis of the 2017/18 final outturn will be reported for each Portfolio to the Relevant PDS committees;
- (c) consider the variations in 2017/18 impacting on the Council's 2018/19 financial position;

- (d) consider the comments from Chief Officers as detailed in Appendix 2;**
- (e) approve the requests for carry forwards totalling £1,124k (net) as detailed in Appendix 6, subject to the funding being allocated to the Central Contingency in 2018/19 to be drawn down on the approval of the relevant Portfolio Holder;**
- (f) agree the release of £80k from the 2017/18 Central Contingency as detailed in para. 3.6.2;**
- (g) approve a further contribution of £550k to the Joint Initiatives and Pump Priming (BCF) earmarked reserve as detailed in para. 3.8.4;**
- (h) recommend to Council that a sum of £1,086k be set aside in an earmarked reserve for Income Equalisation (Treasury Management) as detailed in para. 3.4.4;**
- (i) recommend to Council that a sum of £2,000k be set aside as a further contribution to the Transformation Fund earmarked reserve as detailed in para. 3.7.2;**
- (j) recommend to Council that a sum of £5,000k be set aside as a further contribution to the Financial Planning & Risk Reserve as detailed in para. 3.7.3;**
- (k) recommend to Council that a sum of £2,319k be set aside as a further contribution to the Growth Fund as detailed in para. 3.7.4;**
- (l) recommend to Council that a sum of £2,609k be set aside as a further contribution to the Investment Fund, as detailed in para. 3.7.5;**

2.2 Council are requested to:

- (a) agree that a sum of £1,086k be set aside in an earmarked reserve for Income Equalisation (Treasury Management) as detailed in para. 3.4.4;**
- (b) agree that a sum of £2,000k be set aside as a further contribution to the Transformation Fund earmarked reserve as detailed in para. 3.7.2;**
- (c) agree that a sum of £5,000k be set aside as a further contribution to the Financial Planning & Risk Reserve as detailed in para. 3.7.3;**
- (d) agree that a sum of £2,319k be set aside as a further contribution to the Growth Fund as detailed in para. 3.7.4;**
- (e) agree that a sum of £2,609k be set aside as a further contribution to the Investment Fund as detailed in para. 3.7.5.**

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: £206.0m
 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): 2,327 (per 2017/18 Budget) which includes 701 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 2015, 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 2017/18 budget reflects the financial impact of the Council's strategies and service plans which impact on all of the Council's customers (including council tax payers) and users of 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 2017/18

3.1.1 The Resources Portfolio Plan included the target that each service department would spend within its own budget. A summary of the overall budget and the provisional outturn for 2017/18 is shown in the table below.

3.1.2 The 2017/18 provisional outturn shows no overall net movement in general fund balances, subject to approval of the contributions to earmarked reserves, as detailed in section 4.1.

Provisional Outturn on Services & Central Items	2017/18 Original Budget £'000	2017/18 Latest Budget £'000	2017/18 Provisional Outturn £'000	2017/18 Variation £'000
Portfolio				
Care Services	68,272	71,267	71,497	230
Education, Children & Families	37,359	37,237	38,162	925
Environment	29,179	29,574	27,743	Cr 1,831
Public Protection & Safety	1,963	2,103	1,946	Cr 157
Renewal & Recreation	7,693	9,492	9,156	Cr 336
Resources	45,265	46,465	44,309	Cr 2,156
Total Controllable Budgets	189,731	196,138	192,813	Cr 3,325
Capital Charges, Insurance and Pension Costs	11,244	7,549	7,549	0
Non General Fund Recharges	Cr 730	Cr 700	Cr 700	0
Total Portfolio Budgets	200,245	202,987	199,662	Cr 3,325
Adj. for Carry Forwards from 2017/18 to 2018/19	0	0	1,459	1,459
Capital, Insurance & Pension a/c Requirements	Cr 9,901	Cr 6,236	Cr 6,207	29
Total Portfolio Budgets (adj. for carry forwards and accounting requirements)	190,344	196,751	194,914	Cr 1,837
Income from Investment Properties	Cr 9,854	Cr 9,854	Cr 10,465	Cr 611
Interest on General Fund Balances	Cr 2,891	Cr 2,891	Cr 4,049	Cr 1,158
Total Investment Income	Cr 12,745	Cr 12,745	Cr 14,514	Cr 1,769
Contingency Provision (see Appendix 4)	14,957	4,946	0	Cr 4,946
Other Central Items	12,530	17,023	16,973	Cr 50
	27,487	21,969	16,973	Cr 4,996
Subject to Approval				
- Joint Initiatives Pump Priming (BCF)	0	0	550	550
- Better Care Fund	0	0	Cr 550	Cr 550
- Income Equalisation Reserve	0	0	1,086	1,086
- Funding included in Total Investment Income (above)	0	0	Cr 1,086	Cr 1,086
- Transformation Fund	0	0	2,000	2,000
- Financial Planning & Risk Reserve	0	0	5,000	5,000
- Growth Fund	0	0	2,319	2,319
- Investment Fund	0	0	2,609	2,609
	0	0	11,928	11,928
Total Variation on Services and Central Items	205,086	205,975	209,301	3,326
Prior Year Adjustments	0	0	Cr 316	Cr 316
Total Variation	205,086	205,975	208,985	3,010
Carry forwards from 2017/18 to 2018/19	0	0	Cr 1,459	Cr 1,459
Net Variation (after allowing for carry forwards)	205,086	205,975	207,526	1,551

3.2 Portfolio Budgets

- 3.2.1 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 3.
- 3.2.2 Chief Officer comments are included in Appendix 2.

3.3 Carry Forward Requests

- 3.3.1 After allowing for government grant funding, a net sum of £1,459k is requested to be carried forward into 2018/19. £152k was approved by Council on 26th February 2018 and £183k by Executive on 28th March 2018.
- 3.3.2 Executive are requested to approve further net carry forward requests totalling £1,124k. This includes significant grant funded requests of £3,172k for Improved Better Care Fund and £1,018k for Public Health as detailed below. Some of the carry forwards requested were reported to the Executive on 28th March 2018 and were agreed in principle subject to formal approval by this Committee. As in previous years it is proposed that the carry forwards are allocated to the 2018/19 Central Contingency Sum to be drawn down on the approval of the relevant Portfolio Holder.
- 3.3.3 Full details of the carry forward requests are set out in Appendix 6.
- 3.3.4 Improved Better Care Fund (IBCF)

The IBCF is a time limited grant to local authorities for spending on adult social care that was announced in the spring budget in March 2017. The grant may only be used for the purposes of meeting adult social care needs, reducing pressures on the NHS including supporting more people to be discharged from hospital when they are ready and ensuring that the local social care provider market is supported.

Following approval at the Executive on 10th October 2017, IBCF funding was released from the central contingency and allocated to the ECHS budget. The grant for 2017/18 was £4.184m. As agreement was reached late in the financial year, not all projects have progressed and this has led to an underspend totalling £3.172m in 2017/18. It is requested that Members agree the carry forward of this amount into 2018/19. In line with the report to the Executive, underspends can be carried forward to support expenditure in future years and spending commitments are in place.

3.3.5 Public Health

The grant for Public Health was £15.096m in 2017/18 which was a reduction from the previous financial year. The grant conditions require quarterly financial reporting to the Department of Health against a set of standardised budget reporting lines and the expenditure must be explicitly linked to the Health and Wellbeing Strategy, Public Health Outcomes Framework and the Joint Strategic Needs Assessment. There is also a statement of assurance that needs to be completed and signed off by the Chief Executive and Director of Public Health at year end.

Public health have had small underspends in each of the last four years. These were £141k in 2014/15, £152k in 2015/16 and £330k in 2016/17. This total balance of £623k was carried forward to 2017/18 to fund public health initiatives as per the terms of the grant, however it was not required. There was an underspend of £395k in 2017/18 and it is requested that the cumulative balance of £1,018k is carried forward to fund public health initiatives that may be required in 2018/19.

The expectation is that funds will be utilised in-year but, if at the end of the financial year there is any underspend, this can be carried over as part of a Public Health Reserve into the next financial year. In utilising those funds the following year the grant conditions will still need to be complied with.

3.4 Interest on Balances

- 3.4.1 At the time of setting the 2017/18 budget, there was still no sign of interest rates improving following the reduction to the Bank of England base rate coupled with the ability of banks to borrow from the Bank of England at very low rates through its Term Funding Scheme so an average rate of 0.9% was prudently assumed for interest on new fixed term deposits. In addition to this, further Investment Fund and Growth Fund expenditure and the Highways Investment capital scheme were expected to reduce the funds available for investment and a reduction of £600k was included in the 2017/18 budget.
- 3.4.2 In the last budget monitoring report to Executive, it was estimated that the 2017/18 outturn for interest earnings would be around £600k above budget which included an assumption of interest earnings of 2.5% pooled funds with any excess above this being set aside in an Income Equalisation Reserve to cover any future capital loss (see below).
- 3.4.3 The provisional outturn is £1,158k above budget (final outturn of £4,049k) with £1,086k set aside in the Income Equalisation Reserve, mainly due to higher than anticipated balances available for investment. To reflect the increased level of interest earnings from alternative investments, in part offset by an expected reduction in balances available for investment as a result of the utilisation of capital receipts and earmarked revenue reserves, an increase of £600k has been included in the 2018/19 budget.
- 3.4.4 The Council's treasury management strategy includes alternative investments which should attract underlying returns of 4%+ per annum. These represent longer term investments and are subject to market volatility. Following a change in accounting rules, the Council is required to account for any impairment gains or losses from such investments annually rather than these being recognised only when the investment is sold. It is therefore proposed to create an Income Equalisation Reserve to 'smooth' the volatility with interest/dividend earnings above 2.5% from these investments being set aside for this purpose. The alternative investment approach will generate potential additional income of £2m per annum in 2018/19 compared with normal bank lending. The Government may consult on a statutory override which would have the effect of removing the impairment requirement but, at the time of writing, no consultation has been issued and the new requirements remain in place. The Executive is requested to agree the setting aside of £1,086k in 2017/18 which assumes returns of only 2.5% being credited to revenue for these particular investments.
- 3.4.5 The Council's performance on treasury management is in the top 10% among local authorities. Details of the Treasury Management Annual Investment Strategy for 2018/19, including the approach to alternative investments, were reported to Council on 26th February 2018. The Treasury Management Annual Report for 2017/18 will be reported to Executive and Resources PDS Committee on 5th July 2018.

3.5 Income from Investment Properties

3.5.1 There is a total surplus of £611k in 2017/18 for income from Investment Properties as summarised in the table below:

Summary of Variations	£'000
Surplus Income from Investment Fund Properties	Cr 96
Surplus Income from The Glades Shopping Centre	Cr 362
Reduction in Bad Debt Provision	Cr 97
Additional Income from Biggin Hill Airport	Cr 38
Net Surplus Income from Other Investment Properties	Cr 18
	Cr 611

3.5.2 In 2017/18 the Council's investment approach has generated net revenue income of £14.5m from investment properties (£10.5m) and treasury management (£4m). Without this income, equivalent service reductions would have been required. The diverse range of investments enables more income to be achieved whilst mitigating the Council's exposure to risk.

3.6 Central Contingency Sum

3.6.1 The 2017/18 Central Contingency contained various provisions which reflected uncertainty around potential costs, grants and service pressures. There is a total net variation of £4.9m relating to provisions that were not required in the 2017/18 financial year. Further details of the allocations from, and variations in, the 2017/18 Central Contingency are included in Appendix 4.

3.6.2 Executive are requested to agree the drawdown of the remaining £80k Tackling Troubled Families (TTF) grant to contribute to the cost of the Multi Agency Safeguarding Hub (MASH) team in Children's Social Care to support the work of the TTF programme. Executive agreed the drawdown of £595k of this funding on 7th November 2017.

3.6.3 There is a sum of £90k relating to Deprivation of Liberty (DoLS) which has been returned to the Central Contingency as the predicted spend overall within the DoLS team was less than expected.

3.6.4 As shown elsewhere in this report, it is proposed that the overall underspends remaining, including those in the Central Contingency, will be utilised to provide one-off funding for the Income Equalisation Reserve, Transformation Fund, Financial Planning & Risk Reserve, Growth Fund and Investment Fund.

3.7 Contribution to support future years funding

3.7.1 The Council Tax report 2018/19 to Executive on 7th February 2018 identified a budget gap of £5.2m in 2019/20 rising to £38.7m per annum by 2021/22. It is therefore essential that the use of any underspends/additional income identified is considered towards providing sustainable income for the future and/or providing transitional financial support in addressing the future years' budget gap. The proposed use of the additional income/underspends is shown below.

3.7.2 Transformation Fund

The fund was set up in 2008/09 and since then contributions of £10.4m have been made and expenditure of £9.8m has been incurred leaving a balance of £651k. The main purpose of the fund is to meet severance costs arising from the need for significant budget savings to be achieved and the cost of supporting staff in a changing organisation. Authority for utilisation of the fund was 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. It is proposed that a further contribution of £2m is made to provide funding for some of the significant changes ahead in order to address future year budget pressures. The setting aside of this additional funding will also require the approval of Council.

3.7.3 Financial Planning & Risk Reserve

As shown in the 2018/19 Council Tax report the Council has utilised one off monies to support the revenue budget and, given the significant future challenges we face, would need to consider any further resources available. A sum of £5m was set aside in a new Financial Planning & Risk reserve from underspends in 2014/15. The purpose of the reserve is to provide a buffer to deal with the impact of the ongoing budget gap and possible utilisation of the reserve to support future years' budgets. Although this reflects one off monies, it will provide transitional support given the transformational challenges facing the Council. It is proposed to increase this reserve by a further £5m in 2017/18. The setting aside of this funding will also require the approval of Council.

3.7.4 Growth Fund

This report identifies net additional business rate income under the recently introduced Business Rate Retention Scheme (section 11). There is always a degree of uncertainty in estimating future business rate income and any surplus or deficit on the Collection Fund will impact on future years' budgets. As a key priority for the Council, investment in economic development and growth also provides an opportunity to generate additional income through an increase in the business rate base. It is proposed that this additional income (£2,319k) is set aside as a contribution to the Council's Growth Fund. 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.

3.7.5 Investment Fund

The fund is used primarily for property investments to enable the Council to achieve investment income which exceeds treasury management rates (see section 3.5). The uncommitted balance on the fund stood at £16.7m at 31st March 2018. A detailed analysis of the fund is provided in the Capital Programme Outturn report elsewhere on the agenda. It is proposed to transfer the remainder of the underspends on the Council's budget to the Investment Fund which will maintain a general fund balance of £20m. This would result in a transfer of a further £2,609k into the Investment Fund for 2017/18. The setting aside of this funding will also require the approval of Council.

3.8 Earmarked Reserves

- 3.8.1 As reported to the Executive previously, the Council has reduced its level of general reserves (general fund reserves in 1997 were £131 million). Background on the Council's approach to reserves in managing risk and uncertainty, as well as addressing the future years budget gap, were included in Appendix 4 of the 2018/19 Council Tax report to Executive on 7th February 2018.
- 3.8.2 A summary of the actual balances held in earmarked reserves as at 31st March 2018 is provided in appendix 7. Details relating to the balances held by schools are set out in appendix 9 and a summary of the Invest to Save Fund is provided in appendix 10.
- 3.8.3 Full details of the current position on the Growth and Investment Fund are included in the Capital Programme Outturn 2017/18 report elsewhere on the agenda.
- 3.8.4 In previous years, Council approved the setting up of an earmarked reserve relating to the continuation of various joint schemes and pump priming investment of Better Care Funding (BCF). In view of the ambitious programme to deliver BCF objectives, an element of the budget has required re-profiling into 2018/19. As a result, Members are requested to agree that a further £550k be set aside 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. Any future release of these monies will be subject to a detailed report to Members for approval.

3.9 Prior Year Adjustments resulting in a Net Credit Provision of £316k

- 3.9.1 A credit of £66k relates to backdated Council Tax benefit adjustments which, under the Council Tax Support Scheme, do not result in a corresponding reduction in subsidy income.
- 3.9.2 Following a review of the car leasing holding account, provision of £250k set aside in previous years has been released.

4. GENERAL FUND BALANCE

- 4.1 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 2018 as detailed below:

	2017/18 Provisional Outturn £'000
General Fund Balance as at 1st April 2017	Cr 20,000
Net Variations on Services & Central Items (para 3.1)	1,551
Variations in Business Rates Retention Scheme and General Government Grants	Cr 2,111
	Cr 20,560
Adjustments to Balances:	
Carry Forwards (funded from underspends in 2016/17)	560
General Fund Balance as at 31st March 2018	Cr 20,000

5. IMPACT ON FUTURE YEARS

- 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:

	2017/18 Budget £'000	2018/19 Impact £'000
Care Services Portfolio		
Assessment & Care Management - Care Placements	20,997	1,417
Improved Better Care Fund		Cr 629
Learning Disabilities - Care Placements & Care Management	31,179	2,286
Mental Health - Care Placements	5,966	194
Housing Needs - Temporary Accommodation	7,455	274
Supporting People	1,072	Cr 65
		3,477
Education, Children and Families Portfolio		
Children's Social Care	32,741	748
Resources Portfolio		
Legal Services - Legal/Counsel Fees & Court Costs	385	140
TOTAL		4,365

- 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.
- 5.3 Further details, including any full year impact already reflected in the 2018/19 Budget as well as action to be taken to contain future cost pressures, are included in Appendix 5.

6. CONTINGENT LIABILITIES AND PROVISIONS

- 6.1 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 May (see 13.1).

7. CAPITAL EXPENDITURE AND RECEIPTS

7.1 Capital Expenditure

- 7.1.1 The final capital outturn for the year was £40.3m, compared with the final approved budget of £51.6m agreed in February 2018.
- 7.1.2 At that time, further slippage of £3.5m 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 £7.8m, the majority of which was due to slippage of expenditure into later years. £2.5m of this sum related to an investment property purchase which was unsuccessful. Further details are included in the capital outturn report elsewhere on this agenda.

7.2 Capital Receipts

7.2.1 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 £32.9m, including an unapplied balance of £24.1m brought forward from 2016/17. A total of 7.2m was applied in 2017/18 and a balance of £25.7m has been carried forward to finance capital expenditure in future years. No capital contribution from the General Fund was required in 2017/18. Further details are included in the capital outturn report elsewhere on this agenda.

8 SECTION 106

8.1 An update on balances as at 31st March 2018 is included in Appendix 8 of this report. Further details on the arrangements for utilising Section 106 monies will be reported to the Executive and Resources PDS Committee in July 2018.

9 THE SCHOOLS BUDGET

9.1 Expenditure on Schools is funded through the Dedicated Schools Grant (DSG) provided 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 £32k on DSG funded services, with a total to carry forward to 2018/19 of £1,180k. 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 9.

10 ACADEMIES

10.1 During the 2017/18 financial year 4 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 the Council’s control and therefore have their own financial arrangements in place. This generally results in a reduction in maintained balances. During 2017/18 total balances have reduced from £2,621k to £2,219k.

10.3 Further details of schools’ balances are provided in Appendix 9.

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 2017/18 of £8.5m. 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 one-off sum of £1.7m will be allocated to the GLA and £6.8m to the Council in 2019/20.

- 11.3 There is an overall deficit of £1.5m relating to the collection and distribution of Non Domestic Rates under the 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 information from the Valuation Office Agency. This highlights the challenges of predicting accurate levels of retained business rates under the scheme and the volatility of projections arising from successful appeals. Of the 2017/18 deficit, £0.5m will be allocated to Central Government, £0.6m to the GLA and £0.4m to Bromley. In accordance with statutory provisions, this will be distributed in 2019/20.
- 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 and there may well be further volatility during 2018/19 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 various business rate measures and relief schemes is allocated directly to the general fund in the year it is 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.
- 11.7 As part of the 2018/19 finance settlement in December 2017, MHCLG announced an adjustment to the business rate tariff and top-up allocations to reflect the 2017 revaluation resulting in increased income of £0.2m. A technical consultation was also issued proposing changes to the methodology for calculating Section 31 grant for small business rate relief threshold changes. The final grant determination was issued on 28th March 2018 and resulted in an increase of £0.5m.
- 11.8 The overall impact in 2017/18 is a deficit of £1.5m on the collection fund, as detailed in para. 11.3, and a net credit variation in the Council's general fund of £2.3m, mainly relating to Section 31 grant income.

12 FINANCIAL CONTEXT

- 12.1 The 2018/19 Council Tax report to Executive on 7th February 2018 identified the latest financial projections and a future year budget gap of £38.7m per annum by 2021/22. This is mainly due to the impact of inflation, service and cost pressures and ongoing significant reductions in government funding.
- 12.2 As reported as part of the Council's financial strategy, a prudent approach has been adopted in considering the central contingency sum to reflect any inherent risks, the potential impact of new burdens, population increases or actions taken by other public bodies which could affect the Council. The approach has also been one of "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.

- 12.3 Additional funding of £5.2m was included in the 2017/18 Budget for Children’s Social Care and £2.2m for Education SEN and Adult Social Care to mainly reflect the impact on in-year overspends and additional staffing (Children’s social care). The financial forecast and budget will continue to be affected by inflation, changes in government funding and new burdens and realistically any future year overspends will need to be funded from alternative savings. It is therefore important to ensure that action is taken, where possible, to contain costs within budget which also mitigates against the risk of the Council’s budget gap increasing further which would increase the savings required in future years.
- 12.4 The contributions made to the Growth Fund and Investment Fund will greatly assist in providing a more sustainable financial position for the Council as it moves to be more “self-sufficient” in the longer term. The provisional 2017/18 outturn identifies a combination of under and overspends within portfolio budgets, savings from prior year adjustments and the Council’s central contingency as well as additional business rate funding. In addition there are improved investment returns from changes to the treasury management strategy. The underspends from the central contingency sum mainly relate to ongoing action to contain growth pressures where possible, stringent cost controls, management of risk and effective use of government funding.
- 12.5 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 2018/19 Council Tax report to Executive on 7th February 2018.
- 12.6 The retention of reserves remains increasingly key to provide investment income, contribute towards the Council’s capital programme, support invest to save and support the transitional period of significant reductions in government funding in a period of a changing landscape for local authorities.

13 STATUTORY ACCOUNTS

- 13.1 The audited statutory accounts for 2017/18 will be reported to the General Purposes and Licensing Committee on 25th July 2018 which meets the earlier statutory deadline of 31st July 2018 (brought forward by two months compared with previous year) for approval and publication of the accounts under the Accounts & Audit Regulations 2015.

14 IMPACT ON VULNERABLE ADULTS AND CHILDREN

- 14.1 The 2017/18 budget reflects the financial impact of the Council’s strategies and service plans which impact on all of the Council’s customers and users of our services.

15 POLICY IMPLICATIONS

- 15.1 The “Building a Better Bromley” objective of being an Excellent Council refers to the Council’s intention to ensure good strategic financial management and robust discipline to deliver within our budgets.
- 15.2 The “2017/18 Council Tax” report highlighted the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2018/19 to minimise the risk of compounding financial pressures in future years.
- 15.3 Chief Officer’s comments are included in Appendix 2.

16 FINANCIAL IMPLICATIONS

- 16.1 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)	2018/19 Council Tax – Executive 7 th February 2018; 2017/18 Council Tax – Executive 8 th February 2017; Draft 2017/18 Budget and Update on Council's Financial strategy 2018/19 to 2020/21 - Executive 11 th January 2017; Budget Monitoring Reports in 2017/18 – Executive; Financial Management Budget Monitoring files across all Portfolios; Provisional Final Accounts 2016/17 - Executive 20 th June 2017; Treasury Management Annual Investment Strategy 2018/19 – Council 26 th February 2018; Treasury Management Quarterly Performance reports – Executive and Resources PDS Committee; Capital Programme Outturn 2017/18 (elsewhere on the agenda).