

PART 1 - PUBLIC

Decision Maker: **Executive Council**

Date: **21st May 2019**
22nd May 2019

Decision Type: Non-Urgent Executive Key

Title: **PROVISIONAL FINAL ACCOUNTS 2018/19**

Contact Officer: David Bradshaw, Head of Finance
Tel: 020 8313 4807 E-mail: david.bradshaw@bromley.gov.uk

Chief Officer: Director of Finance

Ward: All Wards

1. Reason for report

- 1.1 This report considers the 2018/19 provisional outturn at portfolio level and Council wide as well as the potential implications for the Council's financial position in 2019/20. The purpose of the report is to give a broad overview of the financial outturn.
- 1.2 The 2018/19 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 2018/19 financial year and the earmarked balances on the General Fund as at 31st March 2019;**
- (b) **note that a more detailed analysis of the 2018/19 final outturn will be reported for each Portfolio to the Relevant PDS committees;**
- (c) **consider the variations in 2018/19 impacting on the Council's 2019/20 financial position;**

- (d) consider the comments from Chief Officers as detailed in Appendix 2;**
- (e) approve the requests for carry forwards totalling £906k (net) as detailed in Appendix 6, subject to the funding being allocated to the Central Contingency in 2019/20 to be drawn down on the approval of the relevant Portfolio Holder;**
- (f) agree the release of £291k from the 2018/19 Central Contingency as detailed in para. 3.6.2;**
- (g) note the return to contingency of £138k of additional grant to the 2018/19 Central Contingency as detailed in para 3.6.4;**
- (h) agree the release of £500k from the 2018/19 Central Contingency as detailed in para. 3.6.5;**
- (i) agree the release of (£2,900k) from the 2018/19 Central Contingency as detailed in para. 3.6.6;**
- (j) note the return to contingency of £567k of additional grant to the 2018/19 Central Contingency as detailed in para 3.6.7;**
- (k) agree the release of £873k from the 2018/19 Central Contingency as detailed in para. 3.6.8;**
- (k) agree the release of £89k from the 2018/19 Central Contingency as detailed in para. 3.6.9;**
- (l) recommend to Council that a sum of £3,409k be set aside as a contribution to the Housing Invest to Save Fund earmarked reserve as detailed in para. 3.7.2;**
- (m) agree to set aside a sum of £130k as a contribution to the YES Project Reserve as detailed in para. 3.7.3;**
- (n) agree to set aside a sum of £76k as a contribution to the Day Centre Rent Relief Reserve as detailed in para. 3.7.4;**
- (o) agree a contribution of £900k subject to (q) below being agreed by Council as detailed in para. 3.7.2;**
- (p) agree that any variations in the Business Rate Pool distribution be allocated to the Business Rate Risk Reserve as detailed in para. 3.10;**

2.2 Council are requested to:

- (q) agree that a sum of £3,409k be set aside as a contribution to the Housing Invest to Save Fund reserve as detailed in para. 3.7.2.**

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: £206.3m
 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): 2,038 (per 2018/19 Budget) which includes 504 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 2018/19 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 2018/19`

- 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 2018/19 is shown in the table below.
- 3.1.2 The 2018/19 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	2018/19	2018/19	2018/19	2018/19
	Original	Latest	Provisional	
	Budget	Budget	Outturn	Variation
Portfolio	£'000	£'000	£'000	£'000
Care Services	67,346	67,062	67,014	Cr 48
Education, Children & Families	40,189	40,611	43,803	3,192
Environment	30,546	29,847	28,492	Cr 1,355
Public Protection & Safety	2,424	2,483	2,237	Cr 246
Renewal & Recreation	13,970	17,036	17,115	79
Resources	46,797	47,769	45,957	Cr 1,812
Total Controllable Budgets	201,272	204,808	204,618	Cr 190
Capital Charges, Insurance and Pension Costs	12,056	13,363	13,363	0
Non General Fund Recharges	Cr 759	Cr 762	Cr 762	0
Total Portfolio Budgets	212,569	217,409	217,219	Cr 190
Adj. for Carry Forwards from 2018/19 to 2019/20	0	0	906	906
Capital, Insurance & Pension a/c Requirements	Cr 10,646	Cr 11,950	Cr 11,895	55
Total Portfolio Budgets (adj. for carry forwards and accounting requirements)	201,923	205,459	206,230	771
Income from Investment Properties	Cr 9,973	Cr 10,138	Cr 9,898	240
Interest on General Fund Balances	Cr 3,491	Cr 3,491	Cr 4,951	Cr 1,460
Total Investment Income	Cr 13,464	Cr 13,629	Cr 14,849	Cr 1,220
Contingency Provision (see Appendix 4)	14,278	3,774	0	Cr 3,774
Other Central Items	1,216	12,916	20,558	7,642
	15,494	16,690	20,558	3,868
Subject to Approval				
- Contribution to YES funding	0	0	130	130
- Day Centre Rent Relief	0	0	76	76
- Housing Invest to Save	0	0	3,409	3,409
	0	0	3,615	3,615
Total Variation on Services and Central Items	203,953	208,520	215,554	7,034
Prior Year Adjustments	0	0	Cr 1,777	Cr 1,777
Total Variation	203,953	208,520	213,777	5,257
Carry forwards from 2018/19 to 2019/20	0	0	Cr 906	Cr 906
Net Variation (after allowing for carry forwards)	203,953	208,520	212,871	4,351

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 £906k is requested to be carried forward into 2019/20.
- 3.3.2 This includes significant grant funded requests of £3,967k for Improved Better Care Fund and £1,779k for Public Health as detailed below. As in previous years it is proposed that the carry forwards are allocated to the 2019/20 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 partially 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 2018/19 was £5.376m. Not all projects have progressed as far as initially anticipated and this has led to an underspend totalling £3.967m in 2018/19. 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. The carry forward includes commitments to balance Adult Social Care growth pressures in 2019/20.

3.3.5 Public Health

The grant for Public Health was £14.708m in 2018/19 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 underspends in each of the last five years. These were £141k in 2014/15, £152k in 2015/16 and £330k in 2016/17 and £395k in 2017/18. This total balance of £1,018k was carried forward to 2018/19 to fund public health initiatives as per the terms of the grant, however it was not required. There was an underspend of £761k in 2018/19 and it is requested that the cumulative balance of £1,779k is carried forward to fund public health initiatives that may be required in 2019/20 and future years.

Any monies not utilised 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 Despite the increase in the Bank of England base rate from 0.25% to 0.50% in November 2017 and then to 0.75% in August 2018, there has been relatively little impact on interest income from lending to banks and other counterparties. This is partly due to banks having the ability to borrow from the Bank of England at very low rates through its Term

Funding Scheme, the strengthening of 'balance sheets' reducing the need to borrow as well as the fact that expected increases in the base rate had already been 'priced in'

- 3.4.2 In addition, the utilisation of the Investment Fund and Growth Fund as well as the Highways Investment Scheme has reduced the resources available for treasury management investment. However, the treasury management strategy was revised in December 2017 to enable alternative investments of £100m which will generate additional income of around £2m compared with lending to banks. As a result, additional income of £600k was included in the 2018/19 budget.
- 3.4.3 In the last budget monitoring report to Executive, it was estimated that the 2018/19 outturn for interest earnings would be around £500k above budget which included an assumption of interest earnings of 2.5% for pooled funds with any excess above this being set aside in an Income Equalisation Reserve to cover any future capital loss (see below).
- 3.4.4 The provisional outturn is £1,460k above budget (final outturn of £4,951k) with £1,509k set aside in the Income Equalisation Reserve. The increase is mainly due to the sale of the two Diversified Growth Funds generating net income of £546k (gross income of £748k offset by a 27% contribution to the parallel fund of £202k) and higher than anticipated balances available for investment.
- 3.4.5 Balances available for investment are anticipated to decrease in 2019/20 as a result of the utilisation of capital receipts and earmarked revenue reserves and the internal lending for the Site G development will have an impact on investment income until the future capital receipts are realised. A decrease of £200k has been included in the draft 2019/20 budget to reflect this.

3.5 Income from Investment Properties

- 3.5.1 There is a total deficit of £240k in 2018/19 for income from Investment Properties as summarised in the table below:

Summary of Variations		£'000
Shortfall of Income from Investment Fund Properties		258
Shortfall of Income from The Glades Shopping Centre		147
Shortfall of Income from Walnuts Shopping Centre		68
Extra Income from Biggin Hill Airport	Cr	210
Net Surplus Income from Other Investment Properties	Cr	23
		240

- 3.5.2 In 2018/19 the Council's investment approach has generated net revenue income of £14.9m from investment properties (£9.9m) and treasury management (£5m). 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 2018/19 Central Contingency contained various provisions which reflected uncertainty around potential costs, grants and service pressures. There is a total net variation of £3.8m relating to provisions that were not required in the 2018/19 financial year. Further details of the allocations from, and variations in, the 2018/19 Central Contingency are included in Appendix 4.

- 3.6.2 Executive are requested to agree the drawdown a sum of £291k for 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 for 2018/19. The remaining £511k for the year is being requested to be carried forward to continue the work in 2019/20.
- 3.6.3 A report will come back to the Executive in July to request drawdown and outline the 2019/20 proposals. The report will also give details of the 2018/29 activity and expenditure
- 3.6.4 Additional In year grant funding of £138k has been returned to the central contingency from the Revenues and Benefits division. This includes grants from the DWP and the GLA
- 3.6.5 The implications of universal credit has previously been reported in the Welfare Reform Member seminars held on 2nd July 2018 and 14th January 2019. this includes the constraints relating to the recovery of Housing benefit overpayments, including claimant error overpayments. Executive are requested to release the sum of £500k set aside in the 2018/19 Central contingency sum as a provision for potential non recovery of debts.
- 3.6.6 Executive agreed to join the London Business Rate Pool in 2018/19 which was a pilot scheme. The scheme provided the full (100%) devolution of business rates with the growth shared across London boroughs and the GLA. Net income of £2.9m was assumed for Bromley as part of the 2018/19 budget and this is requested to be drawn down from the contingency. Paragraph 3.10 gives further details.
- 3.6.7 £567k of funding set aside for the National Living Wage in Adult Social Care in 2018/19 has been returned to the contingency. This is no longer required as increases in fees in Adult Social Care placements have been lower than anticipated during the financial year.
- 3.6.8 The Council received £8,547k of IBCF funding in 2018/19, £873k of this was not allocated to specific projects at the beginning of the financial year. All funding has now been allocated as therefore the Executive are requested to approve the allocation of £873k from contingency
- 3.6.9 An additional grant has recently been given to Bromley in regard to Homelessness Prevention totalling £89k. The additional grant which has been given to reflect the latest HMCLG visits. The funding has been provided to assist in preventing and relieving homelessness for young people. New initiatives will be identified through the work with the HMCLG specialist adviser. The Executive are requested to agree to drawdown the sum of £89k for this purpose.
- 3.6.10 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 a Housing Invest to Save Fund, Contribution to the YES Project and provide Day Centre Rent relief.

3.7 Contribution to support future years funding

- 3.7.1 The Council Tax report 2019/20 to Executive on 13th February 2019 identified a budget gap of £15.5m in 2020/21 rising to £31.7m per annum by 2022/23. 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 Housing Invest to Save Fund

The most significant growth/cost pressure facing the Council relates to the cost of homelessness and there will be investment choices identified through the Council's Transformation programme to reduce homelessness costs. With a combination of additional income, underspends and unspent monies within the 2018/19 Central Contingency Sum it is proposed that a sum of £3,409k is set aside as an earmarked reserve to contribute towards the significant future housing investment required. The utilisation of this funding would be reported to a future meeting of the Executive as part of the Transformation proposals.

The gateway report for the provision of housing supply in Anerley and Chislehurst elsewhere on the agenda requests that the sum of £7.5m be allocated from the Housing Investment Fund earmarked reserve, and the £0.9m balance will be identified in this report. It is proposed that this balance be funded from the Housing Invest to Save earmarked reserve.

3.7.3 YES Project

On 6th December 2017 Executive approved £138k to continue the project for the 2018/2019 financial year. Bromley Education Business Partnership (BEBP) is funded by the local authority and has been successfully delivering the Youth Employment Scheme to help support the generation of employment opportunities and tackle local youth unemployment since 2014. The team is based at Masons Hill co-located with Youth Support Services and Youth Offending and with one Head of Service and now sits within Children's Social Care. Executive are requested to agree that £130k be put into a YES project reserve to fund the scheme for a further year

3.7.4 Day Centre Rent Relief

The Council are finalising the 'Strategy for the Older Person'. The Executive are asked to agree a further period of short term assistance to the Day centres for costs of rent for 2019/20 whilst this is being undertaken. The funding is £76k in total and relates to Bertha James, Saxon Centre, Rachel Notley and Biggin Hill day centres. This will set aside in an earmarked reserve.

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 2019/20 Council Tax report to Executive on 13th February 2019.
- 3.8.2 A summary of the actual balances held in earmarked reserves as at 31st March 2019 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 2018/19 report elsewhere on the agenda.

3.9 Prior Year Adjustments resulting in a Net Credit Provision of £1,777k

- 3.9.1 There are variations totalling £1.077k relating to the write-back of credit balances on NNDR and council tax relating to the period 2008/09 to 2012/13.

- 3.9.2 Financial provisions were made in prior years accounts for Learning Disability and Mental Health services, and an element of these are no longer required and have therefore been released in 2018/19 resulting in a credit of £628k.
- 3.9.3 On the 12th September 2018 a report came to the Executive in regard to a new Social Care Management System. The decision was made to progress with a replacement of the current system and therefore cease any further developments of the current social care IT system. Costs have been incurred in the development of the old system and charged to Capital prior to the decision by the Executive.
- 3.9.4 In terms of capital costs being incurred and in line with standard accounting practice, costs that do not result in a capital scheme being progressed are required to be charged to revenue budgets. A total of £772k has been charged for the Children Social Care IT system which has ceased and therefore capital costs arising from this project need to be written back to Revenue. £500k was funded by a RCCO (revenue contribution to capital outlay) which will offset this charge. Therefore a total net charge of £272k will be written back to revenue.
- 3.9.5 A credit of £102k relates to backdated Council Tax benefit adjustments which, under the Council Tax Support Scheme, do not result in a corresponding reduction in subsidy income.
- 3.9.6 Following the sale of the Old Town Hall a provision of £242k set aside in previous years for dilapidations, was no longer needed and has therefore been released.

3.10 Business Rate Pool

- 3.10.1 Executive agreed to join the London Business Rate Pool in 2018/19 which was a pilot scheme. The scheme provided the full (100%) devolution of business rates with the growth shared across London boroughs and the GLA. Net income of £2.9m was assumed for Bromley as part of the 2018/19 budget.
- 3.10.2 Based on provisional pool outturn figures, using information from the submission of NNDR2 returns by all London boroughs, Bromley is expected to receive £5.1m. Overall, a net £95m more business rates than anticipated were collected in London, a 1% change to business rate income. The variation in pooling benefit is mainly caused by £31m additional retained business rates income (being the difference between London retaining 67% and 100% of the £95m favourable variance) and £27m additional levy savings as a result of not being required to pay a levy on extra rates collected.
- 3.10.3 The City of London, being the Lead Authority, and the GLA requested a copy of final year end NNDR3 returns to be submitted by 30th April 2019 to allow the figures to be updated. Indications are that the pool, and / or external auditors may require the 2018/19 accounts to be updated to reflect any changes between these and the draft (NNDR2) figures although it is acknowledged that these are unlikely to be material. Should this be the case, Members are requested to agree that any variation be accounted for via the Business Rate Risk Reserve to ensure that the audited accounts are able to be produced by the statutory deadline of 31st July 2019. Any such variation would then be allocated and reported as part of the first budget monitoring report in 2019/20. There may also be further variations arising from the audit of NNDR3 returns, due to be submitted to MHCLG by 31st July 2019 which, once finalised, may require a further reconciling cash payment in 2019/20.

3.10.4 The Government has agreed to allow the continuation of the pilot for 2019/20 but reflecting a reduced share (75%) of business rates. The 2019/20 budget includes estimated income of £2.2m to reflect a combination of the growth in the previous year but partly offset by the reduced share of business rate growth (100% reduced to 75%).

3.11 Collection Fund and New Homes Bonus from previous years

3.11.1 The 2018/19 budget included the use of non-recurring Collection Fund surplus (£5,642k) and previous years New Homes Bonus (£2,256k), set aside in earmarked reserves, towards balancing the budget.

3.11.2 The outcome of the 2018/19 provisional outturn results in this funding not being required for 2018/19. The financial outturn assumes that these monies will not be released in 2018/19 and therefore can continue to be set aside to support future years budgets.

4. GENERAL FUND BALANCE

4.1 Subject to approval of the proposals detailed in this report, and taking account of the provisional final outturn on Portfolio budgets and Central Items, there will be no variation to the level of general reserves as at 31st March 2019 as detailed below:

	2018/19 Provisional Outturn £'000
General Fund Balance as at 1st April 2018	Cr 20,000
Net Variations on Services & Central Items (para 3.1)	4,351
Variations in Business Rates Retention Scheme and General Government Grants	Cr 5,810
	Cr 21,459
Adjustments to Balances:	
Carry Forwards (funded from underspends in 2017/18)	1,459
General Fund Balance as at 31st March 2019	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:

	2018/19 Budget £'000	2019/20 Impact £'000
Care Services Portfolio		
Assessment & Care Management - Care Placements	20,735	619
Better Care Funding - Protection of Social Care	0	Cr 492
Learning Disabilities - Care Placements & Care Management	33,708	1,113
Mental Health - Care Placements	6,169	331
		1,571
Education, Children and Families Portfolio		
Children's Social Care	34,836	3,556
Adult Education	Cr 520	130
		3,686
Renewal, Recreation and Housing		
Supporting People	1,013	Cr 94
Housing Needs	8,733	521
		427
Resources, Commissioning and Contracts Mgt Portfolio		
Legal Services - Legal/Counsel Fees & Court Costs	389	70
TOTAL		5,754

- 5.2 The majority of the full year impact has been reflected in the 2019/20 budget. However the most significant area not fully reflected in the 2019/20 budget is Children's Social Care where there has been a recent increase in Children Looked After (CLA). The full year impact not reflected is £1.5m. However, additional health funding of £900k in 2019/20 has been provided to mitigate the full year impact in 2019/20. Further management action will also need to be taken to reduce these cost pressures.
- 5.3 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.
- 5.4 Further details, including any full year impact already reflected in the 2019/20 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 £30.9m, compared with the final approved budget of £37.8m agreed in February 2019.
- 7.1.2 At that time, further slippage of £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 £1.9m, the majority of which was due to slippage of expenditure into later years.

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 £38.2m, including an unapplied balance of £25.7m brought forward from 2017/18. A total of £8.9m was applied in 2018/19 and a balance of £29.3m has been carried forward to finance capital expenditure in future years. No capital contribution from the General Fund was required in 2018/19. 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 2019 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 2019.

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 £1,481k on DSG funded services, with a total to carry forward to 2019/20 of £2,495k. 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 2018/19 financial year 2 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 2018/19 total balances have reduced from £1,931k to £1,757k.
- 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 2018/19 of £7.4m. 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 £1.5m will be allocated to the GLA and £5.9m to the Council in 2020/21.
- 11.3 There is an overall deficit of £1.2m 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 2018/19 deficit, £0.4m will be allocated to the GLA and £0.8m to Bromley. In accordance with statutory provisions, this will be distributed in 2019/20 & 2020/21.

- 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 2019/20 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 The overall impact in 2018/19 is a deficit of £1.2m on the collection fund, as detailed in para. 11.3, and a net credit variation in the Council's general fund of £3.2m, mainly relating to Section 31 grant income.

12 FINANCIAL CONTEXT

- 12.1 The 2019/20 Council Tax report to Executive on 13th February 2019 identified the latest financial projections and a future year budget gap of £31.7m per annum by 2022/23. This is mainly due to the impact of inflation, service and cost pressures and ongoing significant reductions in government funding.
- 12.2 The Council has adopted a prudent approach in setting the revenue budget and to date has delivered budget savings of £97m since austerity began. This was mainly required due to the significant level of government funding reductions facing the Council despite service cost pressures remaining. This prudent approach and robust financial management has provided an opportunity to release resources to help deliver a more sustainable budget in the future.
- 12.3 An example of this relates to the acquisition of investment properties and contributions to the growth fund.
- 12.4 Overall the Council is expected to receive income of £15.4m from properties and treasury management which highlights the benefits of this approach which has helped to provide a more sustainable financial position in the longer term.
- 12.5 The Council faces a significant budget gap over the next four years, particularly as Government funding reductions continue in order to fund other public services e.g. NHS. Providing opportunities to release monies for investment therefore remains important to achieve a more sustainable budget.

- 12.6 There are reports elsewhere on the agenda relating to housing proposals which require considerable investment from the Council in order to achieve significant savings to partly mitigate against the cost pressures. On the basis that one of the most significant cost pressures facing the Council relates to homelessness costs and that significant savings could be delivered through investment in accommodation for homeless families. In this report includes proposals that an additional sum of £3.4m is set aside as part of a Housing Invest to Save Fund. These monies can be used to contribute towards investment in housing to deliver savings on the council's future revenue budget.
- 12.7 Part of the savings/additional income reflected in the provisional 2018/19 outturn have already been reflected in the 2019/20 budget. Although a prudent approach in considering the 2019/20 Central Contingency sum remains the four year financial forecast reported to Executive in February 2019, as part of setting the 2019/20 Council Tax, assumes reductions of £8m by 2021/22. The Council's four year financial forecast will be updated in due course to reflect the impact of the provisional 2018/19 outturn.

13 STATUTORY ACCOUNTS

- 13.1 The audited statutory accounts for 2018/19 will be reported to the General Purposes and Licensing Committee on 25th July 2019 which meets the statutory deadline of 31st July 2019 for approval and publication of the accounts under the Accounts & Audit Regulations 2015.

14 IMPACT ON VULNERABLE ADULTS AND CHILDREN

- 14.1 The 2018/19 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 "2018/19 Council Tax" report highlighted the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2019/20 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)	2019/20 Council Tax – Executive 13 th February 2019; 2018/19 Council Tax – Executive 7 th February 2018; Draft 2018/19 Budget and Update on Council's Financial strategy 2019/20 to 2021/22 -

	<p>Executive 10th January 2018; Budget Monitoring Reports in 2018/19 – Executive; Financial Management Budget Monitoring files across all Portfolios; Provisional Final Accounts 2017/18 - Executive 21st May 2018; Treasury Management Annual Investment Strategy 2019/20 – Council 25th February 2019; Treasury Management Quarterly Performance reports – Executive and Resources PDS Committee; Capital Programme Outturn 2018/19 (elsewhere on the agenda).</p>
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