

Decision Maker: EXECUTIVE
COUNCIL

Date: Executive 30th June 2021
Council 12th July 2021

Decision Type: Non-Urgent Executive Non-Key

Title: PROVISIONAL FINAL ACCOUNTS 2020/21

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

Chief Officer: Director of Finance

Ward: Borough Wide

1. Reason for report

- 1.1 This report considers the 2020/21 provisional outturn at portfolio level and Council wide as well as the potential implications for the Council's financial position in 2021/22. The purpose of the report is to give a broad overview of the financial outturn.
 - 1.2 The 2020/21 provisional outturn provides for no variation in general fund balances, subject to the recommendations in this report being agreed.
 - 1.3 The report refers to the financial impact of the Covid-19 situation which needs to be treated with some caution because of the ongoing uncertainty arising from moving out of lockdown to transition and ultimately the 'new normal'. The report seeks agreement to set aside resources to support funding housing investment as well as partly fund future Covid related cost pressures. The report also refers to the arrangements to address Government funding received during 2020/21 where the corresponding costs are charged to the Council's general fund in future years.
 - 1.3 More detailed reports will be submitted to individual PDS Committees. Details of the carry forward requests and a summary of the Council's capital programme are also considered in the report.
-

2. RECOMMENDATION(S)

2.1 --The Executive is requested to:

- (a) consider the provisional revenue and capital outturns for the 2020/21 financial year and the earmarked balances on the General Fund as at 31st March 2021;**
- (b) consider the variations in 2020/21 impacting on the Council's 2021/22 financial position;**
- (c) consider the comments from Chief Officers as detailed in Appendix 2;**
- (d) approve the requests for carry forwards totalling £749k (net) as detailed in Appendix 6, subject to the funding being allocated to the Central Contingency in 2021/22 to be drawn down on the approval of the relevant Portfolio Holder;**
- (e) agree the changes to the central contingency sum as detailed in para. 3.6.2 to 3.6.6;**
- (f) recommend to Council that a sum of £3.887m be set aside as a contribution to the Housing Invest to Save Fund earmarked reserve as detailed in para. 12.7;**
- (g) recommend to Council that a sum of £6.506m be set aside as a contribution to the COVID impact/recovery earmarked reserve as detailed in para. 12.6;**
- (h) note the creation of a Business Rates Adjustment earmarked reserve relating to the timing differences of grant income received and the costs charged to the Councils General Funds detailed in para 11.5 and 11.6**

2.2 Council are requested to:

- (i) agree that a sum of £3.887m be set aside as a contribution to the Housing Invest to Save Fund as detailed in para. 12.7;**
- (j) agree that a sum of £6.506m be set aside as a COVID impact/recovery earmarked reserve as detailed in para. 12.6.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: None arising directly from this report
-

Corporate Policy

1. Policy Status: Existing Policy
 2. BBB Priority: Excellent Council
-

Financial

1. Cost of proposal: Not Applicable
 2. Ongoing costs: Recurring Cost
 3. Budget head/performance centre: Council wide
 4. Total current budget for this head: £229m
 5. Source of funding: See Appendix 1 for overall funding of Council's budget
-

Personnel

1. Number of staff (current and additional): 2,096 fte posts (per 2020/21 Budget) which includes 505 for budgets delegated to schools
 2. If from existing staff resources, number of staff hours: N/A
-

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 Local Government Act 2000, the Local Government Act 2002 and the Accounts and Audit Regulations 2015.
 2. Call-in: Applicable
-

Procurement

1. Summary of Procurement Implications: None arising directly from this report
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The 2020/21 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 our services.
-

Ward Councillor Views

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

3. Commentary

3.1 Provisional Final Outturn 2020/21

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 2020/21 is shown in the table below.

3.1.2 The 2020/21 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	2020/21 Original Budget £'000	2020/21 Latest Budget £'000	2020/21 Provisional Outturn £'000	2020/21 Variation £'000
Portfolio				
Adult Care and Health	69,416	69,116	68,569	Cr 547
Children, Education & Families	42,207	42,239	42,364	125
Environment & Community	31,136	31,296	30,416	Cr 880
Public Protection & Enforcement	2,434	2,493	2,538	45
Renewal, Recreation & Housing	14,889	14,790	14,512	Cr 278
Resources, Commissioning and Contracts Management	46,015	46,894	44,740	Cr 2,154
Total Controllable Budgets	206,097	206,828	203,139	Cr 3,689
Capital Charges, Insurance and Pension Costs	9,340	22,958	22,958	0
Non General Fund Recharges	Cr 853	Cr 868	Cr 868	0
Total Portfolio Budgets	214,584	228,918	225,229	Cr 3,689
Adj. for Carry Forwards from 2020/21 to 2021/22	0	0	749	749
Capital, Insurance & Pension a/c Requirements	Cr 7,794	Cr 21,397	Cr 21,407	Cr 10
Total Portfolio Budgets (adj. for carry forwards and accounting requirements)	206,790	207,521	204,571	Cr 2,950
Income from Investment Properties (after COVID funding)	Cr 9,720	Cr 9,720	Cr 9,720	0
Interest on General Fund Balances	Cr 3,591	Cr 3,591	Cr 5,140	Cr 1,549
Total Investment Income	Cr 13,311	Cr 13,311	Cr 14,860	Cr 1,549
Contingency Provision (see Appendix 4)	11,799	2,310	0	Cr 2,310
Other Central Items	9,616	19,511	16,969	Cr 2,542
	21,415	21,821	16,969	Cr 4,852
Subject to Approval				
- Housing Investment Fund Reserve	0	0	3,887	3,887
- COVID Reserve	0	0	6,506	6,506
	0	0	10,393	10,393
Total Variation on Services and Central Items	214,894	216,031	217,073	1,042
Prior Year Adjustments	0	0	Cr 1,430	Cr 1,430
Total Variation	214,894	216,031	215,643	Cr 388
Carry forwards from 2020/21 to 2021/22	0	0	Cr 749	Cr 749
Net Variation (after allowing for carry forwards)	214,894	216,031	214,894	Cr 1,137

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 £749k is requested to be carried forward into 2021/22.
- 3.3.2 This includes significant grant funded requests of £2,547k for Improved Better Care Fund and £1,855k for Public Health as detailed below. As in previous years it is proposed that the carry forwards are allocated to the 2021/22 Central Contingency Sum to be drawn down on the approval of the relevant Portfolio Holder.
- 3.3.3 There are also carry forward requests of various COVID grants such as Contain Outbreak Management Fund (£3,968k) and Discretionary Business Grant (£7,388k). These grants are allowed to be carried over under certain conditions to either cover expenditure in the following financial year or to be given back to Government should funding no longer be required. Further details on the COVID grants are covered in paragraph 13 of this report.
- 3.3.4 Full details of the carry forward requests are set out in Appendix 6.
- 3.3.5 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 ACH budget. The total grant available for 2020/21 was £10.27m. Not all projects have progressed as far as initially anticipated and this has led to an underspend totalling £2.547m in 2020/21. It is requested that Members agree the carry forward of this amount into 2021/22. 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 2021/22.

3.3.6 Public Health

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 has had underspends in each of the last six years. These were £141k in 2014/15, £152k in 2015/16 and £330k in 2016/17, £395k in 2017/18, £761k in 2018/19 and £358k in 2019/20. This total balance of £2,137k was carried forward to 2020/21 to fund public health initiatives as per the terms of the grant, however it was not all required. £603k was used as a contribution to school nursing and there was an underspend of £321k in 2020/21 on the grant. It is requested that the cumulative balance of £1,855k is carried forward to fund public health initiatives that may be required in 2021/22 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 The Bank of England base rate has remained at 0.10% during 2020/21, and this has led to new core investments being taken out at lower rates; this was not forecast to have a substantial impact on the amount of interest received in 2020/21 as most of the rates on the core investments were already fixed, but is projected to have an impact over the next few years as the core investments taken out at higher rates mature and are replaced by investments at lower rates.
- 3.4.2 The treasury management strategy has previously been revised to enable alternative investments of £100m which will generate additional income of around £2m compared with lending to banks.
- 3.4.3 Although the Council has seen a significant reduction in the rates offered for new fixed-term investments as well as overnight money market funds, as part of the treasury management strategy there are a number of existing longer-term fixed investments at higher rates that are cushioning the Council from the impact of the drop in interest rates.
- 3.4.4 In the last budget monitoring report to Executive, it was estimated that the 2020/21 outturn for interest earnings would be around £1,250k above budget, mainly due to the continued high level of balances available for investment as well as the high level of interest earned on the pooled funds, housing association deposits and Project Beckenham loan. The provisional outturn of £5,140k is £1.5m above budget.

3.5 Income from Investment Properties

- 3.5.1 There was a deficit of £400k for net investment income which takes into consideration the following issues:

Summary of Variations	£'000
Anticipated savings built into the 2020/21 budget not achieved	181
Shopping Parades	23
Agricultural Land & Property	17
Walnuts Shopping Centre income	78
Shortfall in Rent from Properties Purchased from Investment Fund	166
Increased Turnover Rent from Biggin Hill Airport	Cr 83
Minor variations	18
Total variations within Investment Income	400

- 3.5.2 The £400k deficit is COVID related and therefore is contained within the COVID expenditure detailed in paragraph 4 of this report.

3.6 Central Contingency Sum

- 3.6.1 The 2020/21 Central Contingency contained various provisions which reflected uncertainty around potential costs, grants and service pressures. There is a total net variation of £2.3m relating to provisions that were not required in the 2020/21 financial year. Further details of the allocations from, and variations in, the 2020/21 Central Contingency are included in Appendix 4.
- 3.6.2 In 2019/20 a total drawdown of up to £100k was agreed regarding a specific complex child care case, of which £28k was drawn down in that year reflecting costs incurred to 31 March 2020. An additional £67k is requested to fund further costs incurred in 2020/21

- 3.6.3 In Q3 an amount of £208k was returned to contingency based on the projected underspend on this budget at that time. However, actual year end costs were higher than this earlier estimate with the final underspend of £154k, meaning £54k needs to be returned to the revenue budget.
- 3.6.4 The Apprenticeship Levy was introduced in April 2017, and charged at a rate of 0.5% of employer's pay costs. The levy payment varies monthly depending on employee earnings and employee numbers (fte). There has been an increase in these elements in comparison to previous financial years resulting in an additional unfunded cost of £42k against the budget. Therefore it is requested that £42k be allocated from Central Contingency to fully fund the cost of the Apprenticeship Levy in 2020/21.
- 3.6.5 As part of the budget setting process in 2020/21, £500k was set aside in the event that deficits in Education funding could not be met. As core education funding was underspent overall and the DSG funded element of the budget cannot be offset by core funding without Secretary of State approval, the funding was returned to the contingency.
- 3.6.6 A sum of relating to the use of grant of £109k has been returned to the contingency. This is made up of the following:-
- a) A sum of £31k is to be returned to central contingency which relates to the retention of a central government grant regarding Universal Credit advice. The cost of this arrangement has been funded from existing budgets and, therefore, the grant equivalent is being returned to the central contingency.
 - b) GLA grants of £78k were received to fund additional property inspection work and related activities, to maximise business rates and council tax revenues in LB Bromley. However as the cost of the works undertaken during the year have been funded from existing budgets, the grant equivalent is being returned to the central contingency.
- 3.6.7 As shown elsewhere in this report, it is proposed that the overall underspends remaining, including those in the Central Contingency, will be mainly utilised to provide one-off funding for a Housing Invest to Save Fund. This reflects an approach that has been used by the Council in previous years to utilise such monies for future investment to deliver savings and a more sustainable budget position.

3.7 Earmarked Reserves

- 3.7.1 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 2021/22 Council Tax report to Executive on 10th February 2021.
- 3.7.2 A summary of the actual balances held in earmarked reserves as at 31st March 2021 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.
- 3.7.3 Full details of the current position on the Growth and Investment Fund are included in the Capital Programme Outturn 2020/21 report elsewhere on the agenda.
- 3.7.4 As indicated in this report the Council received unprecedented additional non recurring funding after its 2020/21 Budget was set to support businesses (rate relief and support grants), residents and key services. Councils have seen significant financial impact from many different aspects of their local roles, both from the delivery of services and as a conduit for central government to support local businesses.

3.7.5 An impact of this significant funding, including monies received later in the financial year, has been that in many cases the year end position reflects the early advancement of support from Government. In a number of cases the impact of this support is that these are held in reserves at year end to be deployed in 2021/22 to support services and in reality is simply advanced cashflow. This creates a significant increase in reserves relating to monies that will be utilised in 2021/22. To illustrate this, the Council received funding from Government of £63,407k in 2020/21 for business rate relief, but the costs are required to be accounted for in 2021/22 which will result in that reserve being fully drawn down in that year.

3.7.6 A report elsewhere on the agenda titled 'IT Services Procurement' requests a contribution of £197k from underspends in 2020/21 which has been assumed in this report.

3.8 Prior Year Adjustments resulting in a Net Credit Provision of £1,430k

3.8.1 Financial provisions were made in prior years accounts for Learning Disability, Mental Health Services and National Minimum Wage for sleep-ins, and an element of these are no longer required and have therefore been released in 2020/21 resulting in a credit of £706k

3.8.2 A number of provisions were set up in previous financial years in respect of historic highways rechargeable works and vehicles crossover balances. A recent review of these provisions has concluded that a number of the provisions are no longer required and that £79k can be released

3.8.3 A number of provisions were set up in previous financial years in respect of backdated utility costs that were potential liabilities to LBB following new contract arrangements. A recent review of these provisions has concluded that the risk of this has reduced allowing an amount of £339k to be released.

3.8.4 A provision of £171k was made for a potential payment to Transport for London. However, following a review, the service has confirmed that this potential risk no longer exists and therefore this provision is no longer required.

3.8.5 A sum of £298k relates mainly to sundry creditors raised at the end of 2019/20 based on estimates made at the time for the anticipated costs of the Exchequer contract incentive scheme. Subsequently, these anticipated costs did not materialise enabling these provisions to be credited back to the revenue account.

3.8.6 A credit provision of £163k was made at the end of 2019/20 to reflect the projected financial impact of the early termination of the TFM contracts. However, the final settlement is not expected to enable recovery of these costs as original anticipated.

3.9 Business Rate Pool

3.9.1 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 and it provided additional income of £5.1m. The pilot continued into 2019/20 but reflecting a reduced share (75%) of business rates, generating income of £2.2m in 2019/20.

3.9.2 The Government did not extend the pilot into 2020/21, however groups of Council's were permitted to create pools where a financial benefit existed. Consequently, a pan-London business rates pool was arranged, which Bromley joined, although with much reduced incentives for individual Council's. Provisionally, this is expected to generate a zero net gain/loss of income in 2020/21.

3.9.3 Owing to the financial risks presented by the pandemic, it was decided that the London Pool will not continue into 2021/22.

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 2021 as detailed below:

	2020/21 Provisional Outturn £'000
General Fund Balance as at 1st April 2020	Cr 20,000
Net variations after allowing for contributions to earmarked reserves as detailed in the report	Cr 1,065
	<u>Cr 21,065</u>
Adjustment to Balances	
Carry Forwards (funded from underspends in 2019/20)	1,065
General Fund Balance as at 31st March 2021	<u>Cr 20,000</u>

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:

	2020/21 Budget £'000	2021/22 Impact £'000
Adult Care & Health Portfolio		
Assessment & Care Management - Care Placements	23,974	2,495
Learning Disabilities - Care Placements, Transport & Care Management	37,084	2,064
Mental Health - Care Placements	7,211	436
		<u>4,995</u>
Children, Education & Families Portfolio		
Children's Social Care	36,032	4,138
		<u>4,138</u>
Renewal, Recreation and Housing		
Housing Needs	8,366	1,124
		<u>1,124</u>
TOTAL		<u>10,257</u>

5.2 A significant part of the above has been reflected in the 2021/22 financial year as part of the budget setting process. The main increases in the full year effect compared to the last monitoring report are in the area of adult and children's social care. Additional full year costs of £5.6m were assumed in the 2021/22 budget and officers will continue to explore options to mitigate these additional costs.

- 5.3 These costs will not fully reflect the medium and longer term impact of the Covid pandemic which creates an added uncertainty in future and potential higher cost pressures. Combined with the ongoing need for 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 2021/22 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 September (see 14.1).

7. CAPITAL EXPENDITURE AND RECEIPTS

7.1 Capital Expenditure

- 7.1.1 The final capital outturn for the year was £19.7m, compared to the final revised budget of £46.0m.
- 7.1.2 The total net variation is Cr £26.3m, which is primarily due to slippage in the Renewal, Recreation & Housing Portfolio (Cr £17.3m) and the Children, Education & Families Portfolio (Cr £4.0m). Further slippage of £15.0m was assumed for financing purposes, however the significant slippage during the final quarter has resulted in a variation in the overall use of capital receipts, external grants/contributions and revenue contributions of Cr £11.3m. Full details of the capital outturn are included in the Capital Programme Outturn 2020/21 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 “usable” and may be applied to finance capital expenditure. The final outturn in 2020/21 for new capital receipts from asset disposals was £1.9m and was lower than the estimated figure reported to the Executive in February 2021 (£3.9m).

8 SECTION 106

- 8.1 An update on balances as at 31st March 2021 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 due course.

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 overspend of £4,022k on DSG funded services, with a total to carry forward deficit to 2021/22 of £1,140k. Officers are currently working on a recovery plan in advance of any expectation of such from the DfE and this plan will be considered in due course. Further details of the in-year variation and plans for the amount carried forward are provided in Appendix 9.

10 ACADEMIES

- 10.1 During the 2020/21 financial year no schools 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. However no schools converted and the remaining schools balances have increased from £1,739k to £2,550k during 2020/21.
- 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 provisional Council Tax surplus on the fund in 2020/21 of £3m (2019/20: £6.5m surplus). A one-off sum of £0.6m will be allocated to the GLA and £2.4m to the Council in 2021/22.
- 11.3 There is an overall deficit of £57.4m (2019/20 £1.1m deficit) relating to the collection and distribution of Non-Domestic Rates under the Business Rates Retention Scheme. This is owing to irrecoverable losses and the granting of significant reliefs during the pandemic for which the Council's General Fund has been compensated through Section 31 grants. Of the deficit, £21.2m will be allocated to the GLA, £19m to Central Government and £17.2m to Bromley. The Council will be mainly compensated for this deficit specifically where it relates to business rates relief where separate funding has been provided.
- 11.4 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.
- 11.5 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. During 2020/21, Councils received nationally approximately £10bn in grants to offset the reliefs given to businesses during lockdown. These grants, received in relation to 2020/21, will not be discharged against the Collection Fund deficit until 2021/22, thereby inflating earmarked reserves at the end of the 2020/21 financial year by £63.4m, as shown in Appendix 7 (see also para 3.7.5).
- 11.6 The Council has also received £821k by way of compensation from the government of irrecoverable business rates losses under its 75% Tax Income Guarantee Scheme. Similarly, the Council also received £1.841m during 2020/21 to help ease the Council Tax burden on the vulnerable. Since the associated costs will accrue in the Collection Fund during 2022/23, the total amount of £2.662m has been set aside in a Collection Fund Deferred Costs earmarked reserve for release during that year.

11.7 A combination of 11.5 and 11.6 above requires the creation of earmarked reserves to deal with the timing between receipt of the grant funding and the future year impact of the associated costs/income losses being met by the Council's general fund. This does create an added complexity and can make comparisons of the Council's level of earmarked reserves more problematic given the one off nature of these significant changes.

12 FINANCIAL CONTEXT AND SUPPORT FOR HOUSING AND THE 'NEW NORMAL'

12.1 The 2021/22 Council Tax report to Executive on 10th February 2021 identified the latest financial projections and a future year budget gap of £14.1m per annum by 2024/25. 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 over £100m 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 The Council has received significant financial support from Government during the Covid pandemic as detail in the report with funding provided in 2020/21 and 2021/22.

12.4 It is clear that there are potential additional cost pressures facing the Council due to the impact of the pandemic which includes for example:

- Ongoing impact of increase in referrals for children social care;
- 'Long Covid' effect on adult social care activity and costs;
- Potential increase in homelessness costs following end of furlough and national eviction ban;
- Reduced income remaining from car parking and other income sources;
- Ongoing challenges relating to debt recovery (partly due to required delay enforcement action for income recovery);
- Ongoing impact of significant increase in working age council tax support claimants (increase of around 12% to date).

12.5 Some of these changes have been incorporated in the 2021/22 Budget but there remains uncertainty about the ongoing impact arising from the 'new normal'. The Government have provided unringfenced general funding of around £10m in 2021/22, which is a one year settlement figure. The Government have indicated that there will be a Fair Funding review and combined with the Spending Review and business rate review will determine 2022/23 local government finance settlement. However, the Government has not committed to further funding in 2022/23.

12.6 Given the uncertainty and the cost pressures that will impact in 2022/23 and future years from the impact of the pandemic it is proposed that the sum of £6.506m remaining in the General Covid grant is set aside as an earmarked reserve. These monies could be utilised to support the Council in 2021/22 but are expected to be utilised from 2022/23, in order to support the medium to longer term impact of COVID-19 situation ('new normal'). They may also be required to address any ultimate income losses. It is also important to recognise the full year costs of £10.3m identified in section 5.1 which exceeds the amount reflected in the 2021/22 Budget which creates a further cost pressure which needs to be addressed in future years.

- 12.7 Members will be aware than 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. This report includes proposals that an additional sum of £3.887m is set aside as part of a Housing Invest to Save earmarked reserve. These monies can be used to contribute towards investment in housing to deliver savings on the council's future revenue budget.
- 12.8 The future utilisation of these reserves will require the approval of the Executive.
- 12.9 Although the Council's 2021/22 Budget and four year financial forecast reported to Executive in February 2021 includes costs pressures relating to the impact of Covid, such estimates, at that stage, need to be treated with some caution. The Council's four year financial forecast will be updated in due course to reflect the impact of the provisional 2020/21 outturn, budget monitoring during 2021/22 and any to reflect more details of the medium to longer term impact of COVID-19 situation ('new normal') are known.

13. COVID FUNDING

- 13.1. The funding received for COVID during 2020/21 is outlined in the table below:-

<u>COVID Grant</u>	<u>Amount</u> <u>£</u>
COVID-19 Government General Grant tranches 1, 2, 3 & 4	22,877,793
Income loss compensation grant	5,359,000
Infection Control Fund (ASC)	2,179,000
Test and Trace Service Support Grant	1,369,923
Infection Control Fund Round 2 (ASC)	2,356,490
Business Support Grants (initial schemes)	49,540,000 *
Mandatory Business Support Grants (subsequent schemes)	40,995,240 *
Discretionary Business Support Grants (subsequent schemes)	10,482,547
Covid 19 Hardship Fund	1,841,000
Next Steps Accommodation Grant (Rough Sleepers)	391,250
Emergency Assistance Grant	279,000
Compliance and Enforcement Grant	144,739
Busienss Grant Schemes New Burdens Funding	336,475
Contain Outbreak Management Fund	8,023,541
Reopening High Streets Safely Fund	267,000
COVID Winter Grant Scheme	773,000
Workforce Capacity Grant	595,228
Rapid Testing Fund	529,966
Wellbeing for Education	39,258
Community Testing Programme	686,700
National Leisure Recovery Fund	761,542
Support for the Clinically Extremely Vulnerable	178,996
Support for the Clinically Extremely Vulnerable 2	275,314
Emergency Active Travel Fund	9,000
Support to BIDS	61,852
Test and Trace Mandatory Support Payments	338,500 *
Test and Trace Discretionary Support Payments	334,000
Holiday Activities and Food Programme	81,330
COVID-19 Rough Sleeping Contingency Fund	6,000
London Streetspace Fund (Capital)	346,080
Emergency Active Travel Fund (Capital)	41,000
Business Rates Relief Schemes	55,030,000
	206,530,764
NHS Contributions - Hospital Discharge support etc.	3,033,904
Total COVID related Grant and contributions	209,564,668

* These grants are not included in the Council's General Fund as the Council has effectively acted as an 'Agent'. As 'Agent' we receive the funding and just pass through the funding to organisations or individuals under the terms of the grant.

13.2 Expenditure

13.2.1 The total amount of COVID grant and contribution was £209.6m for 2020/21. The above list includes capital and revenue grants. Any capital grants will be included within the Council's capital programme.

13.2.2 There is also a contribution from the NHS to support costs relating to hospital discharge.

13.2.3 Some grant received can be carried forward, conditions allowing to be spent in the following year or funding has been given in advance as the grant conditions span more than one financial year. This includes for example, COMF, Additional Restrictions Grant and Holiday Activities and Food grants. Full details of the grants being carried forward are contained in Appendix 6.

13.2.4 COVID pressures are unlikely to completely subside in the short to medium term. There are indications of ongoing pressures because of COVID manifesting themselves in the 2021/22 financial year. These pressures should they arise will be reported through future budget monitoring papers to the Executive.

14 STATUTORY ACCOUNTS

14.1 Under revised regulations issued by MHCLG the draft statutory accounts should be signed by the Director of Finance by 31st July. The public inspection period is required to commence no later than 1st August with a duration of 30 working days. The publication deadline for the audited accounts is 30th September. The results of the audit will be reported to the General Purposes and Licensing Committee.

15 IMPACT ON VULNERABLE ADULTS AND CHILDREN

15.1 The 2020/21 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.

16 POLICY IMPLICATIONS

16.1 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.

16.2 The "2020/21 Council Tax" report highlighted the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2021/22 to minimise the risk of compounding financial pressures in future years.

16.3 Chief Officer's comments are included in Appendix 2.

17 FINANCIAL IMPLICATIONS

17.1 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)	2021/22 Council Tax – Executive 12 th February 2020; 2020/21 Council Tax – Executive 10th February

	<p>2021; Draft 2020/21 Budget and Update on Council's Financial strategy 2021/22 to 2024/25 - Executive 13th January 2021; Budget Monitoring Reports in 2020/21 – Executive; Financial Management Budget Monitoring files across all Portfolios; Provisional Final Accounts 2019/20 - Leader May 2020; Treasury Management Annual Investment Strategy 2020/21 – Council 1st March 2021; Treasury Management Quarterly Performance reports – Executive and Resources PDS Committee; Capital Programme Outturn 2020/21 (elsewhere on the agenda).</p>
--	---