

Decision Maker: EXECUTIVE

Date: Executive 5th July 2023

Decision Type: Non-Urgent Executive Non-Key

Title: PROVISIONAL FINAL ACCOUNTS 2022/23

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Chief Officer: Director of Finance

Ward: Borough Wide

1. Reason for report

- 1.1 This report considers the 2022/23 provisional outturn at portfolio level and Council wide as well as the potential implications for the Council's financial position in 2023/24. The purpose of the report is to give a broad overview of the financial outturn.
- 1.2 The 2022/23 provisional outturn provides for a zero increase 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. 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 2022/23 financial year and the earmarked balances on the General Fund as at 31st March 2023;
- (b) consider the variations in 2022/23 impacting on the Council's 2023/24 financial position;
- (c) consider the comments from Chief Officers as detailed in Appendix 2;

- (d) approve the requests for carry forwards totalling £644k (net) as detailed in Appendix 6, subject to the funding being allocated to the Central Contingency in 2023/24 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. 3.5;**
- (f) agree that a sum of £149k be set aside as a contribution to the Loneliness Strategy earmarked reserve as detailed in para. 3.8.1;**
- (g) recommend to Council that a sum of £2,000k be set aside as a contribution to the Building Infrastructure earmarked reserve as detailed in para. 3.8.2;**
- (h) agree that a sum of £982k be set aside as a contribution to the Capital Fund earmarked reserve as detailed in para. 3.8.3;**
- (i) agree that a sum of £400k be set aside as a contribution to the Arboricultural Backlog Fund earmarked reserve as detailed in para. 3.8.4;**
- (j) note the utilisation of the Growth Fund as detailed in para 3.9; and**
- (k) agree the redesignation of various earmarked reserves for utilisation for capital financing as detailed in para 3.6.3.**

2.2 Council are requested to:

- (l) agree that a sum of £2,000k be set aside as a contribution to the Building Infrastructure earmarked reserve as detailed in para. 3.8.2.**

Impact on Vulnerable Adults and Children

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

1. Policy Status: Existing Policy
 2. BBB Priority: Excellent Council
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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: £232.6m
 5. Source of funding: See Appendix 1 for overall funding of Council's budget
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Personnel

1. Number of staff (current and additional): 2,181 fte posts (per 2022/23 Budget) which includes 483 for budgets delegated 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 Local Government Act 2000, the Local Government Act 2002 and the Accounts and Audit Regulations 2015.
 2. Call-in: Applicable
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Procurement

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

1. Estimated number of users/beneficiaries (current and projected): The 2022/23 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.
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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 2022/23

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 2022/23 is shown in the table below.

3.1.2 The 2022/23 provisional outturn shows no overall net movement in general fund balances, subject to approval of the contributions to earmarked reserves, as detailed in section 3.8.

Provisional Outturn on Services & Central Items	2022/23 Original Budget £'000	2022/23 Latest Budget £'000	2022/23 Provisional Outturn £'000	2022/23 Variation £'000
Portfolio				
Adult Care and Health	80,790	80,840	80,684	Cr 156
Children, Education & Families	47,565	49,618	58,365	8,747
Environment & Community	34,294	35,537	35,337	Cr 200
Public Protection & Enforcement	2,645	2,701	2,709	8
Renewal, Recreation & Housing	14,555	16,286	17,610	1,324
Resources, Commissioning and Contracts Management	43,791	44,958	44,778	Cr 180
Total Controllable Budgets	223,640	229,940	239,483	9,543
Capital Charges, Insurance and Pension Costs	11,506	1,727	1,727	0
Non General Fund Recharges	Cr 1,006	Cr 1,071	Cr 1,071	0
Total Portfolio Budgets	234,140	230,596	240,139	9,543
Adj. for Carry Forwards from 2022/23 to 2023/24	0	0	644	644
Capital, Insurance & Pension a/c Requirements	Cr 9,878	Cr 34	0	34
Total Portfolio Budgets (adj. for carry forwards and accounting requirements)	224,262	230,562	240,783	10,221
Income from Investment Properties	Cr 9,276	Cr 8,776	Cr 8,709	67
Interest on General Fund Balances	Cr 2,841	Cr 2,841	Cr 7,520	Cr 4,679
Total Investment Income	Cr 12,117	Cr 11,617	Cr 16,229	Cr 4,612
Contingency Provision (see Appendix 4)	18,208	6,346	0	Cr 6,346
Other Central Items	1,525	7,375	8,334	959
	19,733	13,721	8,334	Cr 5,387
Total Variation on Services and Central Items	231,878	232,666	232,888	222
Prior Year Adjustments	0	0	Cr 1,089	Cr 1,089
Total Variation	231,878	232,666	231,799	Cr 867
Carry forwards from 2022/23 to 2023/24	0	0	Cr 644	Cr 644
Net Variation (after allowing for carry forwards)	231,878	232,666	231,155	Cr 1,511

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 £644k is requested to be carried forward into 2023/24.
- 3.3.2 This includes significant grant funded requests of £1,911k for Improved Better Care Fund, £2,874k for Public Health and £5,415k Homes for Ukraine as detailed below. As in previous years it is proposed that the carry forwards are allocated to the 2023/24 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 ACH budget. The total grant available for spending during 2022/23 was £10,327k. Not all projects progressed as far as anticipated and this has led to an underspend totalling £1,911k in 2022/23, and it is requested that Members agree the carry forward of this amount into 2023/24. 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 an amount of £400k to help mitigate Adult Social Care growth pressures in 2023/24.

3.3.5 Public Health

The grant conditions require that 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. £282k of this was used in 2020/21, and there were underspends again in 2021/22 of £109k and £910k in 2022/23. It is requested that the cumulative balance of £2,874k is carried forward to fund public health initiatives that may be required in 2023/24 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.

3.3.6 Homes for Ukraine

The Department for Levelling Up, Housing and Communities (DLUHC) launched the Homes for Ukraine scheme on the 14th March 2022. The scheme allows people living in the UK to sponsor a Ukrainian national or family to come and live in the UK providing there is suitable accommodation available. The grant also covers any additional costs that the Authority may incur. A total of £8,003k was received during the year of which £2,588k was spent in the 2022/23 financial year. Therefore £5,415k is being requested to be carried forward. As part of these payments are one off funding it has been agreed with DLUHC that any unspent funding can be carried forward to support costs incurred in future years

It is estimated that costs will continue to be incurred over the next three years at least with broadly £1.6m per annum being allocated to the Homes for Ukraine grant over the next three years. This would leave a small balance for contingency to deal with any other issues that may arise.

On the 13th June 2023 the DLUHC announced further funding via the Homes for Ukraine route. As a top-up to the existing Homelessness Prevention Grant, this grant is ringfenced for homelessness to target those most in need and to ensure local authorities are resourced to take action to prevent homelessness and continue to implement the Homelessness Reduction Act 2017. The purpose of this specific top up is for the Council to maximise supporting the Ukrainian cohort into sustainable accommodation

3.4 Interest on Balances

- 3.4.1 The budget for 2022/23 was set at £2,841k (2021/22: £3,591k). This reflected an expected reduction in balances available for investment as a result of the utilisation of capital receipts and grants/contributions as well as earmarked revenue reserves. The loss of income from the reduction in balances will be partly offset by anticipated further increases in the Bank of England base rate which will drive improved counterparty rates. New core fixed-interest investments taken out during the last quarter of 2022/23 were at an average rate of 4.63%.
- 3.4.2 Reports to previous meetings have highlighted the fact that options with regards to the reinvestment of maturing deposits had become limited in recent years following bank credit rating downgrades and the prevailing low interest rate environment. Changes to lending limits and eligibility criteria, as well as the introduction of pooled funds and housing associations have alleviated this to some extent.
- 3.4.3 Additionally, the treasury management strategy has previously been revised to enable alternative investments of £100m in pooled investments which generate additional income of approximately £2m compared with lending to banks. Officers continue to look for alternative investment opportunities, both within the current strategy and outside, for consideration as part of the ongoing review of the strategy.
- 3.4.4 Owing to base rate increases in May, June, August, September, November, December 2022, and February and March 2023, counterparty rates have continued to improve and are currently in excess of 5%. As a result, the provisional outturn for net interest on investments in 2022/23 was £7,520k compared to the budget of £2,841k (surplus of £4,679k).

3.5 Central Contingency Sum

- 3.5.1 The 2022/23 Central Contingency contained various provisions which reflected uncertainty around potential costs, grants and service pressures. There is a total net variation of £6.3m relating to provisions that were not required in the 2022/23 financial year. Further details of the allocations from, and variations in, the 2022/23 Central Contingency are included in Appendix 4.
- 3.5.2 Homes for Ukraine - £5,438k Dr & Cr

The Department for Levelling Up, Housing and Communities (DLUHC) launched the Homes for Ukraine scheme on the 14th March 2022. The scheme allows people living in the UK to sponsor a Ukrainian national or family to come and live in the UK providing there is suitable accommodation available. The grant also covers any additional costs that the Authority may incur. Part of the funding was a one off payment that can be carried forward into the new

financial year to continue to support the Ukrainians living in Bromley. This funding is in addition to the £2,565k also received during the financial year

3.5.3 Domestic Abuse new burdens £81k Dr & Cr

Within the total DLUHC Homelessness Prevention Grant, which has previously been draw down, there is an allocation to support the new burdens placed on authorities in respect of the potential victims of Domestic Abuse. The 2021-22 and 2022-23 allocations total £81k.

3.5.4 Asylum Grant - £129k Dr & Cr

The Home Office introduced this grant to help support the costs of the Asylum seeker process under the dispersal accommodation scheme. The scheme deals with the policy of dispersal of those seeking asylum accommodation in the UK introduced by the Immigration and Asylum Act 1999. The legislative intention was that by distribution across the country no one area would be overburdened by the obligation of supporting asylum seekers

3.5.5 Loneliness Strategy - £175k

A four year fixed term post has been established in 2022/23 to deal with the Loneliness Strategy. £26k was spent in 2022/23. £149k has been set aside in a reserve to cover the costs of future years.

3.5.6 Waste Budget back to contingency - £1,000k cr

Growth awarded due to change in trends during the pandemic has been reversed as waste patterns return to normal.

3.5.7 Local election costs - £82k

Additional cost of conducting May 2022 Elections

3.5.8 Energy cost inflation in Housing - £262k

Further to the request in October 2022 to draw down £1,312k from Central Contingency allocation set aside for energy cost increases, a provision has been made in the accounts of £262k for increased energy costs in temporary accommodation housing management contracts.

3.5.9 IT Budget back to contingency - £307k cr

Growth awarded due to potential growth in contract negotiations has been partially reversed as is no longer required.

3.6 Earmarked Reserves

3.6.1 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 2023/24 Council Tax report to Executive on 8th February 2023.

3.6.2 A summary of the actual balances held in earmarked reserves as at 31st March 2023 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. Appendix 7 also reflects the impact of proposals elsewhere on this agenda.

3.6.3 The Capital Strategy report considered by the Executive in January 2023 requested approval of the use of up to £10m of earmarked reserves to support the financing of the capital

programme in order to help address the capital financing shortfall. Executive are requested to approve the redesignation of a number of reserves as detailed in Appendix 7 in order to provide a total of £4,440k financing from reserves for the 2022/23 Capital Programme outturn.

- 3.6.4 Full details of the current position on the Growth and Investment Fund are included in the Capital Programme Outturn 2022/23 report elsewhere on the agenda.
- 3.6.5 The balances in earmarked reserves have reduced significantly (as expected), mainly because the Council received £45m Section 31 grant from government during 2021/22 for business rate relief which has been used to fund costs accounted for in 2022/23, with £33m drawn down from reserves, and the balance of £12m that was accounted for as a receipt in advance. See also section 11 below.

3.7 Prior Year Adjustments resulting in a Net Credit Provision of £1,089k

- 3.7.1 Financial provisions were made in prior years accounts and an element of these are no longer required and have therefore been released in 2022/23 resulting in a credit of £1,089k
- 3.7.2 Financial provisions were made in prior years accounts for Learning Disability Services, and an element of these are no longer required and have therefore been released in 2022/23 resulting in a credit of £145k.
- 3.7.3 Financial provisions were made in prior years in a pooled fund regarding deaths due to COVID-19. All London boroughs contributed to a pooled fund during the pandemic. Due to an underspend on this pooled funding authorities were given their respective sums back resulting in a £56k credit being returned to Bromley.
- 3.7.4 Costs have been incurred relating to professional fees incurred in achieving a backdated reduction to the rateable value of the Central Library. This has secured the Council a reduced Business Rates liability for the Central Library effective from the 2017 rating list.
- 3.7.5 Financial provisions were made in prior years accounts for bad debt on our investment/commercial properties, an element of these are no longer required and have therefore been released in 2022/23 resulting in a credit of £1,033k.

3.8 Contribution to earmarked reserves

3.8.1 Loneliness Strategy – £149k

A four year fixed term post has been established in 2022/23 to deal with the Loneliness Strategy. £26k was spent in 2022/23. £149k has been set aside in a reserve to cover the costs of future years.

3.8.2 Building Infrastructure Reserve - £2,000k

A sum of £2m per annum for two years covering 2022/23 and 2023/24 has been reflected in the Councils budget. This commitment was made prior to undertaking the operational property review where alternative funding has been approved relating to the revised capital programme and respective financing. On that basis these monies have not been utilised and it is proposed that this sum is added to the earmarked reserves to reflect potential funding of any uncertainty/risk of future costs

3.8.3 Capital Fund Reserve - £982k

Members will, be aware of the funding shortfall to meet the cost of the capital programme approved by exec in 18th Jan 2023 after allowing for borrowing towards housing schemes and capital receipts from property disposals. This report identifies funding from reserves as a contribution to that funding shortfall. It is recommended that the remaining underspend of £982k is set aside as part of the Capital Fund to support funding the future years programme.

3.8.4 Arboriculture Backlog Fund Reserve - £400k

The purpose of the reserve is to provide one-off funding to clear a backlog of arboricultural works which are required to manage the Council's publicly owned tree stock to meet its statutory and other obligations and in accordance with the Council's adopted Tree Management Strategy.

3.9 Growth Fund

A sum of £6.790m was set aside in the Growth Fund for opportunity schemes relating to potential regeneration projects in the Cray Valley and Biggin Hill, as reported to Executive in November 2014.

Given the new pressure on the council's reserves, needing to set aside monies to fund the future capital programme and that there are no longer priority regeneration opportunities for Cray Valley and Biggin these monies will be retained as part of the Council's Growth Fund with no commitment to the utilisation at this stage. Any future utilisation of these monies will be reported to Executive for Members consideration.

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 2023 as detailed below:

General Fund Balance as at 1st April 2022	Cr 20,000
Net variations on Services and Central items	Cr 1,511
Variations in Business Rates Retention and reserves	1,046
	Cr 20,465
Adjustment to Balances	
Carry Forwards (funded from underspends in 2021/22)	465
General Fund Balance as at 31st March 2023	<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:

	2022/23	2023/24
	Budget	Impact
	£'000	£'000
Adult Care & Health Portfolio		
Assessment & Care Management - Care Placements	28,764	3,102
Learning Disabilities - Care Placements, Transport & Care Management	42,270	1,313
Mental Health - Care Placements	6,767	242
		<u>4,657</u>
Children, Education & Families Portfolio		
Children's Social Care	41,838	7,732
SEN Transport	7,189	871
		<u>8,603</u>
Renewal, Recreation and Housing		
Supporting People	1,070 Cr	94
Allocations and Accommodation	5,990	288
		<u>194</u>
TOTAL		<u>13,454</u>

- 5.2 A significant part of the above has been reflected in the 2023/24 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 £15.2m were assumed in the 2023/24 budget and officers will continue to explore options to mitigate these additional costs.
- 5.3 However significant pressures remain unfunded in excess of £5m across the Council. 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 2023/24 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 in August

7. CAPITAL EXPENDITURE AND RECEIPTS

7.1 Capital Expenditure

- 7.1.1 The final capital outturn for the year was £21.0m, compared to the final revised budget of £70.8m (after assumed slippage of £50m). The total net variation is Cr £49.8m, which is primarily due to slippage in the Renewal, Recreation & Housing portfolio (Cr £36.3m), the Executive, Resources and Contracts portfolio (Cr £32.7m) and the Children, Education & Families portfolio (Cr £20.4m) and Environment and Community Portfolio (£10.3m). Full details of the capital outturn are included in the Capital Programme Outturn 2022/23 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 2022/23 for new capital receipts from asset disposals was less than £0.1m. This was significantly lower than the estimated figure reported to the Executive in January 2023 (£22.0m) due to the slight delay in the sale of The Glades, which completed in May 2023.

8 SECTION 106

- 8.1 An update on balances as at 31st March 2023 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 current projected overspend in the DSG of £5,563k. This will be added to the £7,142k carried forward in the reserves from 2021/22. This gives us an estimated DSG reserve deficit of £12,705k at the end of the financial year. Officers are currently working on a recovery plan with DfE as part of their work across the country with Local Authorities with DSG deficit positions and this plan will be considered in due course.

10 ACADEMIES

- 10.1 During the 2022/23 financial year one school 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 the remaining schools balances have increased from £2,807k to £3,070k during 2022/23.
- 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 2022/23 of £3.2m (2021/22: £6.9m surplus). A one-off sum of £0.7m will be allocated to the GLA and £2.5m to the Council in 2023/24.
- 11.3 There is an overall deficit of £3.2m (2021/22 £30.9m 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, £1.2m will be allocated to the GLA, £1m to Central Government and £1m 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.
- 11.6 The balance in the Business Rates Adjustment Account earmarked reserve has been fully released in order to fund costs accounted for in 2022/23. This has resulted in a significant reduction in the level of earmarked reserves, as referred to in paragraph 3.6.5 above.
- 11.7 The Council also utilised funding in 2022/23 which had been set aside in the Collection Fund Deferred Costs Reserve and the Collection Fund Surplus Earmarked Reserve of £2.662m and £1.7m respectively. Further drawdowns of £2.3m and £9.1m will also be made from each reserve for 2023/24.

12 FINANCIAL CONTEXT

12.1 Review of Capital Programme and Funding

Since the 2022/23 Budget was produced the Council undertook, completed and reported to Executive:

- The Operational Property Review (Executive, 30th November 2022) ;
- Property Disposals (Executive, 30th November 2022);
- Capital Strategy 2023/24 to 2026/27 and Q3 Capital Programme Monitoring (Executive, 18th January 2023).

- 12.2 To address the existing capital funding shortfall to meet the cost of the approved capital programme, members agreed to refinance housing costs through borrowing, utilisation of capital receipts from the property disposals programme with the unfunded balance (subject to a limit of £10m) being met from earmarked reserves. This report identifies part utilisation of the funding from reserves and the balance from any funding shortfall will be met in future years to match the costs being incurred on the schemes. Once the utilisation of reserves limit of up to £10m is reached, there will be a further report to members to consider alternative funding options. This report includes a redesignation of various earmarked reserves, (see paragraph 3.6.3) in order to secure initial funding of £4,440k towards funding the financing shortfall of the capital programme in 2022/23. Further funding from earmarked reserves will be required in 2023/24. The report also includes proposals that any overall underspend monies (£982k) are utilised to contribute to the capital financing earmarked reserve towards any financing shortfall for 2023/24.

12.3 Utilisation of Reserves and Future Projections

The latest level of earmarked reserves, including utilisation of funding towards the Council's Capital Programme (see above) is detailed in Appendix 7.

Allowing for planned commitments in utilisation of the earmarked latest projections, there will be projected earmarked reserves of £108.2m remaining at 31/3/26.

After allowing for the monies retained for health (£11m), schools balances (£3.1m), insurance fund (£4.5m) forward funding of Government Grants (£8.5m) we have £81.1m remaining.

The 2023/24 Council Tax report to Executive in February 2023 provided a projected revenue budget deficit over the next three years (£1.7m in 2024/25, £10.1m in 2025/26 and £29.6m in 2026/27), which without action to address the budget deficit, would reduce remaining reserves by £41.4m to £39.7m. If the DSG deficit continues then the reserves would reduce by at least a further 9.5m. This would leave a remaining £30.2m to support funding the capital programme, dealing with additional cost pressures and financial risks that remain uncertain but could have a detrimental impact on the Council's sustainable finances. There is the remaining general fund balance of £20m but as covered in latest financial forecast update (see below) there are further financial cost pressures that could have a detrimental impact on the Council's budget gap. Therefore any future significant capital costs will need to be funded through borrowing and such funding has revenue implications even if funded through reserves (utilisation of reserves results in interest income foregone).

Details of the need to retain adequate level of reserves was reported in Appendix 4 of the 2023/24 Council Tax report to Executive in February 2023.

12.4 Financial Forecast Update

Since the Council Tax report was considered by Executive then have been various key issues which could have a detrimental impact on the Council's finances:

- This report refers to the full year effect of cost pressures which could be in excess of £5m per annum. The majority of this cost pressure relates to Children's Social Care with the balance relating to Adults Social Care;
- Inflation is now expected to continue to exceed Bank of England target levels until the end of 2024. Although there will be volatility relating to many costs (which could reduce future elements of inflation) 'core inflation' remains high which could continue to add further pressure to the Council's finances.

A combination of the two factors above could add a further £8m per annum to the Council's budget gap. There will also need to be an update on the Council's financial forecast to reflect any changes during 2023/24, including an update on cost pressures, further transformation opportunities, the revenue impact of the new civic centre and any changes in government funding for 2024/25 and beyond. These changes will be reported to members prior to finalising the 2024/25 Budget.

A further update will be provided as part of the 2023/24 quarterly budget monitoring report to a future Executive meeting.

There will be cost pressures arising from services to support Homes for Ukraine new residents and the approach to utilise the one-off monies (£5.4m) remaining are included elsewhere in the report and will help support such financial pressures over the next few years.

13 IMPACT ON VULNERABLE ADULTS AND CHILDREN

13.1 The 2022/23 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.

14 POLICY IMPLICATIONS

14.1 The 2022/23 Budget enabled the Council to continue to deliver on its ‘Making Bromley Even Better’ key priorities with the Council delivering key services and lives within its means

14.2 The “2023/24 Council Tax” report highlighted the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2023/24 to minimise the risk of compounding financial pressures in future years.

14.3 Chief Officer’s comments are included in Appendix 2.

15 FINANCIAL IMPLICATIONS

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

Non-Applicable Sections:	Legal, Personnel
Background Documents: (Access via Contact Officer)	2023/24 Council Tax – Executive 8 th February 2023; 2021/22 Council Tax – Executive 9 th February 2022; Draft 2022/23 Budget and Update on Council’s Financial strategy 2022/23 to 2025/26 - Executive 12 th January 2022; Budget Monitoring Reports in 2022/23 – Executive; Financial Management Budget Monitoring files across all Portfolios; Provisional Final Accounts 2021/22 Executive 29 th June 2022 Treasury Management Annual Investment Strategy 2022/23 – Council 28 th February 2022; Treasury Management Quarterly Performance reports – Executive and Resources PDS Committee; Capital Programme Outturn 2022/23 (elsewhere on the agenda).