CABINET

18 June 2019

Title: Provisional Revenue and Capital Outturn 2018/19	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	**For Decision**
Wards Affected: All	**Key Decision:** Yes
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Summary

This report concerns the provisional outturn on the Council's accounts at the end of the 2018/19 Financial year. These figures are subject to audit and so may change as a result of that process.

The provisional outturn is £151.667m expenditure against a budget of £145.368m which is an overspend of £6.299m on general fund expenditure. This is offset by a £3.418m income surplus making an net variance of £2.881m.

This is the position after carry forward of income and transfers to and from earmarked reserves. Information about the transfers to/from reserves is provided as an appendix. Funding the net overspend will require a drawdown on the Council's budget support reserve. However, there is sufficient funding in that reserve and so the general fund reserve balance will remain the same at £17m. The remaining balance on the Budget Support Reserve is £12m.

The provisional position on the Dedicated Schools Budget was an overspend of £1.902m largely driven by demand pressures on the High Needs Block.

The provisional outturn on the capital programme was expenditure of £225.153m against a budget of £284.758m, slippage/underspend of ££56.696m of which £37.559m is General Fund and £19.137m is HRA.

The provisional outturn on the HRA was a surplus of £1.075m above budget. This has been partially used as a revenue contribution to the capital programme (reducing the requirement to use receipts.) and the balance taken to the HRA reserve for use in future years.

This report also contains a recommendation to approve two new programmes for the Capital Programme in 2019-20. These are outlined in section 6.

Recommendations

The Cabinet is recommended to:

(i) Note the provisional revenue outturn for Council services as set out in sections 2 and 3 and Appendix A to the report;

(ii) Note the provisional outturn on the Dedicated Schools Budget as set out in section 4 of the report;

(iii) Note the provisional Capital Programme outturn as set out in section 5 and appendices B and C to the report;

(iv) Approve the carry forward of slippage of £37.559m into the General Fund Capital Programme 2019/20;

(v) Approve the creation of a Ward Member capital budget of £0.34m and £1.0m capital budget for urgent maintenance and health and safety works, as set out in section 6 of the report;

(vi) Approve the transfers to and from reserves as set out in Appendix D to the report;

(vii) Note the provisional outturn of the Housing Revenue Account as set out in section 8 of the report; and

(viii) Note the position on Schools balances as set out in section 9 of the report.

Reason(s)

As a matter of good financial practice, the Cabinet should be informed about the Council's spending performance and its financial position. This will assist the Cabinet in holding officers to account and in making future financial decisions.

1 Introduction and Background

1.1 The financial year 2018/19 ended on 31st March 2019. This report includes the provisional outturn position on Council expenditure and income, the DSG outturn position, the HRA outturn and a provisional capital outturn.

1.2 It does not include the outturn on the individual companies set up by the Council and does not assume any financial benefits from those companies. If the companies have generated a positive financial impact then this will flow back to the Council in the next financial year.

1.3 It also contains a recommendation to add two new items to the 2019/20 capital programme.

2 Provisional Overall Position

2.1 The total variance on Services (excluding Central Expenses and Companies) is a net overspend of £10.513m - mostly within People and Resilience/Care and Support. Further information on the variances on individual services is given below

2.2 This is offset by underspends in Central (including Education Central items) of £4.217m and £3.418m additional income resulting in an overall variance of £2.881m. This will require a further drawdown on the budget support reserve.

3 Service Variances

This section of the report briefly outlines the main service variances.

PEOPLE AND RESILIENCE/CARE AND SUPPORT

3.1 This year has been a highly challenging year for Care and Support as there have been significant savings targets written into the budget while the service has seen a high level of demand and need increase. Part way through the year, when the scale of the challenge was realised, a target level of overspending was agreed. It was accepted that the service could not balance its budget in year but it would take action to control and reduce spend as far as possible. This resulted in a £2.5m action plan and a commitment to reduce overall costs in Adults and curtail growth in Disabilities and Children's spend.

3.2 The service has identified £2.9m of cost reduction and cost avoidance action it has taken in year – effectively exceeding its target by £480k. However, at the same time it experienced an almost matching level of growth in its service. The final outturn therefore represents an overall improvement in the position (reduction in overspend) of £0.73m since the mid-point of the year (excluding the impact of an in-year budget increase) but it did not meet the overspend target.

	Adults	CSC	Disabilities	Commissioning	Other PRG Action Plan	PRG
	£'000	£'000	£'000	£'000	£'000	£'000
Position at P5	1,905	6,187	3,707	-194	0	11,605
Target Position at P5	905	4,977	3,547	-194	-2,500	6,735
Final Outturn Variance	**2,097**	**4,383**	**3,415**	**-90**	**-300**	**9,505**
In year reductions included within the above	-1,287	-727	-666	0	-300	-2,980

3.3 The pressures on the service are expected to continue into the next financial year and the Council has not been able to identify sufficient growth funding to fully meet these pressures. However, although some of the in-year action was time limited, some of it will have a continued impact into next year. This means that there is likely to be some level of overspend in 2019/20.

3.4 In the longer term the pressures in the service will need to be addressed within the Council's next MTFS which is currently being developed. More detail on these services is given below

Adults Care and Support – overspend of £2.098m.

3.5 There was an overspend on Adults Operations of £2.097m and £66k in Commissioning. More detail is shown in the table below.

<u>**ADULTS CARE & SUPPORT**</u>	**Full year Budget 2018/19**	**Outturn Actual**	**Variance from Budget**
	£'000	**£'000**	**£'000**
Adult packages	8,167	9,297	1,130
Adult teams	3,835	3,879	44
Adult homes and centres	1,825	1,758	-67
Mental Health	4,620	5,453	833
Adults Other (Support services)	1,241	1,398	157
Directorate Total	**19,688**	**21,786**	**2,098**
Adults Commissioning	5,549	5,615	66
Directorate Total	**5,549**	**5,615**	**66**

3.6 As the table shows it is clear that the pressures within Adults mostly relate to the care and placements and is driven by demand and the increasing costs within the care market. In addition, there is an overspend in Relish.

3.7 Partly as a result of the relatively young population and also because of its strong management and improvement culture, LBBD has until recently been relatively protected from the very high levels of budgetary pressure in Adults experienced by most other councils. However, in recent years these have begun to increase and over the last fifteen months or so the levels of activity in the service have been rising steeply.

3.8 Although the population in LBBD is relatively young it is important to recognise that deprived populations experience higher levels of ill health and disability at an earlier age and are more likely to be dependent on Council services when they do so. Moreover, demand for social care is highly affected by the local health economy which is under a great deal of strain in outer East London. Both of these are important factors that are contributing to increased demand. There may be other factors involved as well and the increase is very clear. In particular there was a clear absolute increase in hospital discharge activity and very high levels of crisis intervention activity.

3.9 Another aspect of the challenge was a transfer to a new IT system in year which occasioned some changes in business practices and revealed some process issues including issues with income assessments and charging. In some instances, commitments were not recorded and expenditure was incurred in an uneven pattern. This made the position harder to forecast. There is a project underway to improve these processes and the income situation has been picked up in the charging review.

3.10 In year action included considerable work into closing down crisis intervention packages, reducing the overall caseload by around 300 packages. This has been achieved against a backdrop of constant pressure in out-of-hospital flows. The reduction in packages has been completed through better organisation of the service and reviewing and assessing service users quickly once they enter crisis intervention. Robust management oversight will continue in this area to ensure numbers remain low. In addition, there was the usual action on Direct Payment clawbacks which brought in £2.5m across Adults and Disabilities.

3.11 The Adults position includes a drawdown on reserves of £2.938m. This is a pre-agreed drawdown on the residual departmental reserve as part of the agreed MTFS savings for 2018/19. The winding up of this reserve reduces the service's ability to manage budget pressures without recourse to wider council support in future years.

Disabilities – overspend of £3.4m

3.12 As with other services in Care and Support the overspends are largely driven by client need/demand and the increasing costs of care.

DISABILITIES CARE & SUPPORT	**Full year Budget 2018/19**	**Outturn Projection**	**Variance from Budget**
	£0	**£0**	**£0**
Adults Care Packages (inc Equipment)	8,082	9,883	1,801
Children's Care Costs	1,174	1,852	678
SEND transport	1,919	2,440	521
Centres and Care Provision	1,889	2,074	185
Staffing/Care Management	3,472	3,702	230
Directorate Total	**16,536**	**19,951**	**3,415**

3.13 The position did improve in year by £0.292m - £0.160m was increased staffing budget but there were savings made of £0.666m offset by growth of £0.534m. This growth figure is consistent with the pattern in recent years and reflects demographic pressures and the increasing cost and complexity of needs especially for young people/younger adults born with very severe disabilities.

3.14 The savings made include savings from reviews and improved life planning and also £0.3m from Continuing Healthcare contributions. The strengthened practice and processes in this area should continue to provide savings and increased income into future years.

Children's Care and Support – overspend of £4.4m

3.15 This is also an improved position from forecast (c£5m.) However, some of this is the result of last-minute adjustments that are one off in nature such as a debtor raised to the Home Office for Project Palm and so this may understate the continuing level of pressure in the service. The assessment of the Finance team is that there is an underlying base budget gap of £5m.

CHILDREN'S CARE & SUPPORT	**Full year Budget 2018/19**	**Actual**	**Variance from Budget**
	£'000	**£'000**	**£'000**
Care Management	5,235	6,463	1,228
Looked After Children and other Placements	22,048	24,923	2,875
Assessments and EDT	2,857	3,229	372
YOS	1,153	1,078	-75
Other/Central	1,693	1,891	-16
Directorate Total	**32,986**	**37,369**	**4,598**
CHILDREN'S COMMISSIONING			
Children's Commissioning	4,211	4,055	-156
Directorate Total	**4,211**	**4,055**	**-156**

3.16 The Children’s pressures are long standing and are shared by many other London boroughs. The two main drivers are the national challenge of recruitment and retention of social workers and the high level of demand for services. New and emerging demand challenges have included 210 additional EHC Plans being issued within the last 12 months (an increase of 15%); almost 370 more Social Care cases being supported by Children’s Care and Support than 12 months earlier (an increase of 17%) and the ever-present challenge of complex, high cost placements, including a small number of high cost placements for both Children in Care and those with complex needs who are the subject of an EHC Plan.

3.17 There were savings made within Children’s of £0.477m. These were savings in Care Leavers accommodation and commissioning savings on supported accommodation. There was a small saving from the recruitment and retention initiative (£55k from reduction in agency costs) – this however will have a larger impact in the next financial year.

3.18 It remains the case that it is very difficult to properly contain and manage demand into the Children’s Care & Support statutory system and that parts of the Early Help system may not be functioning as effectively as possible. Plans are being put together, on the back of the Ofsted report’s conclusions on this issue, to build a more robust system for sustainably managing risk below the statutory threshold

Public Health

3.19 The final outturn against the Public Health Grant is an underspend of £0.330m. This has been transferred to the Public Health Reserve. This is after an increased to contribution to the Council's wider prevention services of £0.3m (as agreed in the action plan).

Service Area	Full year Budget 2018/19	2018/19 Outturn	2018/19 Variance
	£0	£0	£0
Public Health			
Sexual Health	2,146	2,556	410
Health Protection	62	26	-36
Promoting Health	3,346	2,980	-366
Healthy Children	7,355	7,120	-235
Healthy Adults	1,428	1,386	-42
Health Intelligence	60	39	-21
Public Health Service Team	1,220	902	-318
Other Public Health Commissioned	700	1,000	300
Public Health Corporate:			
Expenditure	589	567	-22
Income	-16,906	-16,906	0
Total	0	-330	-330
Transfer to Reserve	0	330	330
Public Health Total	**0**	**0**	**0**

3.20 The main variances are an overspend on **£411k** overspend on Sexual Health Services offset by underspends on staffing (£340k) and other public health programmes.

3.21 The Sexual Health budget is the highest risk element of the service being demand led. The overspend arises from the Integrated and Out-of-Area (OOA) Genitourinary Medicine (GUM) Services. The OOA service is for residents receiving sexual health testing and treatment services from clinics outside of the borough. This is charged at a higher rate than the current charges under the contract with the provider in the Borough (BHRUT). There has been a reduction in the number of clinics within the borough, but increased hours at the main clinic in Barking Hospital. Close monitoring is still required to see the impact of closure of smaller clinics within the borough and whether this increases the number of residents attending clinics out of the borough, or whether the increased opening times and reduced waiting times at Barking Hospital will result in residents coming back to the in-borough service, instead of opting for services elsewhere.

3.22 Furthermore, the contract with BHRUT for the integrated GUM service has also contributed to the overspend due to a reduction in budget/grant allocation; a dispute on the agreement of a cap in the contract value plus efficiency saving of 5% and an increase in value of the new contract from £1.59m to £1.68m with effect from Oct 2018.

Community Solutions

3.23 The overall outturn for Community Solutions is broadly on balance (£22k) before transfers to reserve and a small overspend when the surplus on the Adult College is carried forward. Within this total there is a significant overspend on Triage (£0.552m) relating to the parts of the service inherited from Children's Services (MASH/NRPF). However, the service manager has worked to improve practices for NRPF families and to reduce dependency on agency staff and there was an improvement in year which is expected to continue into the next financial year.

3.24 The Intervention service is also broadly on balance but it should be noted that there were some year end issues in Temporary Accommodation as the final outturn position for the costs of Temporary Accommodation was significantly higher than forecast. This was a forecast error that arose partly because the forecast was based on the number of households being supported rather than the length of time a property was held by the service (for example during notice periods or as a way of safeguarding availability.) The Finance team and the Intervention Service are working together to review their processes to improve forecasting accuracy. The above forecast expenditure has been partly managed by not carrying forward £250k of Troubled Families grant.

3.25 The service is making greater use of Rental Deposit Schemes as a way of diverting families or moving them on from Temporary Accommodation. However, the evidence suggests that previous assumptions about the rate of return of deposits are not realistic. As a temporary measure the Finance team have decided to create a bad debt provision against the debtor value but a full review of its operation is required (see Central Expenses below.). This may result in costs being met directly as revenue expenses which would require further savings on other parts of the TA budget.

3.26 There are a number of other underspends in other lifecycles that have offset the Triage overspend resulting in a balanced position.

Core and Central services

3.27 As noted in previous reports to Cabinet there are overspends (£292k) on Strategic Leadership mostly related to unachievable savings that have been written off in the 2019/20 budget and the Elevate client team from the non achievement of the Customer Service Saving. There is an apparent overspend of £402k on the ICT contract which is offset by a central underspend on Infrastructure investment.

3.28 Inclusive Growth was projecting an underspend of around £0.5m of which £0.25m was approved to be carried forward for future projects. However it has been agreed to charge the revenue costs relating to the acquisition of LEUK to this cost centre resulting in an overspend.

3.29 There is an overspend of £0.13m in Democratic Services also relating to an unachievable saving that has been written off in 2019/20. The service did work to contain this and also offered to draw down on their election reserve. This offer was over-ruled by Finance to avoid jeopardising the future smooth running of elections.

3.30 There is an underspend of £0.35m on Legal and HR which is the result of the overachievement of income and an overspend on Insurance (within Finance).

Enforcement

3.31 There is an underspend of £0.9m on Enforcement. This is made up of underspends across the following services: CCTV, Housing Standards, Street Enforcement and Traffic Management Orders from staffing vacancies and over achievement of income.

3.32 The surplus Parking income above the budget target (£65k) has been transferred to the Parking reserve.

My Place and Public Realm

3.33 There is a net underspend across My Place and Public Realm of £0.282m. However, within this Public Realm finally overspent by £0.96m of which £650k relates to staffing. The other large element is the cost of transport which is partly due to the age of the fleet and the frequency of faults and breakdowns. The staffing overspend is partly the result of the non-achievement of the routes and rounds savings (£0.439k) and partly from the level of agency staff and overtime that has been necessary to maintain the service. Delays in procurement of mechanised equipment for street cleaning may also have been a factor.

3.34 There are large underspends in My Place across the service largely arising from vacancies. The benefit of this has been shared proportionately between the GF and the HRA.

Policy and Participation

3.35 There is an overspend of £0.275m on Heritage services largely from Valence and £60k on Culture commissioning.

Central Expenses.

3.36 There is an overall underspend in Central Expenses (including Education Central) of £4.883m. This is made up of a number of over and underspends. This includes the £2m savings risk buffer which was written into the budget in 2018/19, the £1m provision for non-achievement of Parking income and an underspend of £1.5m on MRP and net interest costs – largely as a result of slippage on the capital programme in previous years.

3.37 The total cost of redundancies charged to Central Expenses in 2018/19 was £1.403m and against a budget of £1.3m. (This includes the pension strain costs for staff above the age threshold.)

3.38 In addition, the new Chief Accountant has reviewed the balance sheet and unwound a number of old provisions and balances. This includes £4.5m of over receipted purchase orders relating to previous years. As set out in the January cabinet report this will be transferred to a reserve to be used to partly fund the net costs of the final phases of the Transformation programme in Core. The net impact of the other adjustments is £0.37m debit (cost).

3.39 The underspends were offset by the net bad debt provision for the Rent Deposit Scheme and above budgeted contributions to Corporate and Temporary Accommodation Bad Debt Provisions. There are also a number of Central costs shown against Education Youth and Childcare such as PRC contributions that are not in the control of the service which need to be brought into Central Expenses.

Collection Fund and Grant Income

3.40 The Collection Fund surplus to be brought into this year is £3.568m. A recent review of our Collection Fund process has identified the need to make better provision for bad debts on court cost recovery. Depending on the calculation methodology this could mean a provision of up to £3.3m. However court costs are among the most secure kind of debt so we have not chosen to do this this year.

3.41 Central Government has allocated £3.4m of section 31 grants to compensate for loss of NNDR arising from Central Government policy decisions of which we have prudently decided to carry forward 70% (£2.38m) to a smoothing reserve. Failure to do this could result in additional costs in future years.

4 Dedicated Schools Grant

4.1 The overall outturn position on the Dedicated Schools grant was an overspend of £1.902. This is made up as shown in the table below:

Block	**Variance (£000s)**
High Needs	2,992
Early Years	(656)
Schools Block	(269)
Central	(165)
Total	1,902

4.2 The overspend on the High Needs block is largely driven by demand. The main overspends are in ARPs (£683k), non-maintained and out of borough fees and top ups (£1.767m), Special Schools (£1.1m) and other top ups (£1.14m). These have been partially offset by £750k transfer from Schools Block, the additional grant funding of £672k announced mid-year and some underspends in the block (various minor variances and £0.58m on Primary AP/Respite.)

4.3 The level of overspends on the demand/needs driven areas suggest that the pressures will continue into the next financial year.

4.4 The underspend on Early Years largely relates to low activity. This is the estimated figure after potential clawback of 3 and 4 year olds funding following census adjustments later in the year, the actual clawback will not be known until June/July, but reflects low take up for two years and drop off in 3 and 4 years olds. The underspend on the School block relates to the centrally retained provisions for the growth fund and contingency.

4.5 The overspend will be covered by drawing down on the reserve. However, this will bring the reserve to £1.146m which does not provide much contingency for future overspends or planned investment.

5 Capital Programme

5.1 The overall capital programme is £284.758m of which £186.612m is General Fund, £90.352m is HRA and £7.793m is Transformation. The two most significant areas of the capital programme are the provision of school places and housing. This reflects the needs of the borough in terms of dealing with a high birth rate and high level of migration into the borough. School expansion schemes are funded by Central Government (via the Education and Skills Funding Agency), and the HRA programme is self-financed by the HRA using a mixture of Government grants, capital receipts and HRA revenue funding. Therefore, they do not pose a pressure on the General Fund, in terms of needing to borrow and servicing the cost of borrowing.

5.2 Spend against the total programme is £225.153m. There is slippage on the General Fund capital programme of £37.559m – mostly relating to the Investment Strategy. In general schemes under this strategy are profiled into the earliest possible year in order to ensure that funding is available when required. This avoids unnecessary delays but does create a risk of slippage.

5.3 There is an apparent overspend of £6.7m on the Schools Programme largely as a result of accelerated spend on school expansion programmes. Funding can therefore, be brought forward from future years to cover this. More information is provided in the text below and in Appendix A and B.

5.4 The Adults Care and Support programme has an underspend of £0.550m. This is largely due to the suspension of the Direct Payment Adaptations scheme for new applications while the scheme is reviewed.

5.5 Many programmes are underspending at year end. In most cases this will be carried forward and budgets realigned.

5.6 Two high profile programmes brought forward from last year: Youthzone and the demountable swimming pool at Becontree Heath have both been completed this year.

5.7 The Capital Programme for the HRA was an outturn of £71.214m expenditure against a budget of £90.352m – slippage of £19.137m.

5.8 Cabinet are requested to approve carry forward of the net slippage of £37.559m on the General Fund Capital Programme.

6 New Capital Programme schemes for 2019-20

6.1 The Capital Programme for 2019-20 was approved in February 2019 as part of the Medium Term Financial Strategy. Since that time two need areas of urgent need have been identified.

6.2 It is proposed to set up a Ward Member budget. This would be a relatively small funded of up to £20,000 per year per ward which is available to fund programmes identified by ward members and the communities and groups they work with. This would be a Capital programme budget so would only be available for capital schemes ie for the creation or restoration of community assets not for day to day expenditure or one-off events. Similar schemes are operated by many councils and it can be an efficient way to respond to specific local needs in an area. This would be funded from capital borrowing.

6.3 Cabinet are also requested to approve the budget of £1.000m for Health & Safety and urgent maintenance (Corporate, Commercial and non-HRA residential blocks). This is for urgent repairs and replacement of internal plant and external fixtures identified from the Stock Condition Surveys (Operational & Commercial) and works to non-HRA residential blocks (Reside). The creation of this budget will allow a speedy response to new issues that arise. Works to be funded by this programme will be reviewed and approved by the Capital and Assets Board (an officer group).

7 Transfers to/From Reserves

7.1 The outturn report assumes £14.405m drawdown from reserves - £1.997m from Schools reserves, £5.788m from service and specific reserves and £6.618m from the Budget Support reserve. This includes those drawdowns approved as part of the budget setting for the year: £2.791m from the Budget Support Reserve and £2.5m from the Adults reserve. This also includes the overspend drawdown of £2.881m.

7.2 There is also £15.395m transfers to reserves. This includes £3.654m transfer to service and specific reserves, £2.369m to the Investment reserve to smooth investment income between years, £4.379m business rates levy and other section 31 grants to the Income Equalisation reserve, and £4.993 transfer to the budget support reserve including the Purchase Order clearing referred to above. These are shown in an appendix.

8. Housing Revenue Account

8.1 The final position on the HRA was a £1.075m greater than budgeted surplus.

HRA Class	**Budget**	**YTD**	**Var**
	£'000	**£'000**	
Dwellings Rent	(86,186)	(86,329)	(143)
Other Rents	(712)	(545)	167
Other Income	(20,015)	(20,274)	(259)
Interest Received	(300)	(250)	50
Supervision & Management	43,963	43,927	(36)
Repairs & Maintenance	15,178	17,839	2,661
Rent Rates and Other	350	16	(334)
Bad Debt Contribution	5,309	911	(4,398)
CDC	685	685	
Depreciation	13,034	14,576	1,542
Interest Paid	10,059	9,690	(369)
Revised I&E position	(18,635)	(19,710)	(1,075)
Transfer to:			

MRR/RCCO (Capital funding)	18,635	18,881	246
Leaseholder Reserve Fund		188	188
HRA Balances		642	642
Total transfers	18,635	19,710	1,075
Net	-	-	- 0

8.2 The main driver of the underspend was a large provision for increased rent arrears following the roll out of Universal Credit which has not been required this year. (The budget setting appears to anticipate a faster roll out than has actually taken place and also the year on year reduction in rents reduces the absolute value of arrears even if the % remains the same or increases slightly.) However, this was offset by a significant overspend on Repairs and Maintenance.

8.3 The final overspend on Repairs and Maintenance was £2.661m. This was partly the result of delays in implementing the review of staffing terms and conditions. A cost reduction of £1.2m had been factored into the budget which was not fully achieved. However there were improvements towards the end of the year in the level of out of hours and overtime reducing costs.

8.4 This year a stricter approach to the capitalisation of repairs works has been used. This accounts for around £1.7m of the variance – this is offset by underspends in the capital programme. The budget will be reviewed next year to align more closely with the capitalisation policy.

8.5 The HRA did pick up £0.444m of costs associated with redundancies and other staffing transition costs. These are included as part of Supervision and Management but are offset by underspends from staff vacancies on My Place.

8.6 It should be noted that this year's capital programme has been heavily reliant on the use of the brought forward capital receipts and further work is required to ensure that it remains sustainable.

9. Schools Balances

9.1 Until recently LBBD schools have been reasonably well funded – although not as generous as some other London boroughs the DSG allocation was generally sufficient and most schools were expanding. However since the transition to the National Funding Formula began at the same time as Education funding became subject to the austerity regime, the DSG allocation has been effectively below inflation. For LBBD schools this has been compounded by three significant factors – a short pause in the expansion of the primary sector which has led to some schools having falling rolls, a sharp fall in the number of children in receipt of Free School Meals which results in loss of funding (DSG and Pupil Premium Grant), and rising numbers and complexity of children with Special Educational Needs. This means many LBBD schools – and especially the primary schools – are facing a much higher level of financial challenge than they have been used to.

9.2 Following the introduction of the faster closing deadlines we now close our accounts based on quarter three forecasts for bank account schools. For Oracle schools we use the actual figures on the system. If there are material differences once schools submit their outturn position then this is adjusted for as part of the audit process.

9.3 In the financial year 2018-19 based on the estimates used for year end, maintained school balances have fallen by £1.997m. Since then schools have submitted their final returns which show a healthier position.

9.4 The final position was an increase in balances of £1.090m. A high proportion of this relates to large recoveries in three schools that had been in deficit –which are to be commended for their commitment to management action.

9.5 Within this overall improvement 19 schools have seen their balances fall by a total of £3.875m while 27 schools have increased their balances by a total of £4.965m. (This includes £1.4m from the deficit recovery in three schools.) It must be recognised that a reduction in balances is not in itself a bad thing – a governing body may have chosen to use balances for a variety of reasons. For example the £4.325m includes one school with large brought forward balances that drew down £990k in accordance with plan. However the downwards movements could be reflective of the financial pressure on some of our schools.

9.6 There are now five schools that are in deficit. The local authority and the Financial Monitoring Group of Schools Forum are in discussion with those schools and will continue to monitor them.

10 Financial Implications

10.1 This report sets out the financial position of the Council at the end of 2018/19

11 Legal Implications

Implications completed by: Dr. Paul Feild, Senior Governance Lawyer

11.1 Section 28 of the Local Government Act 2003 imposes a statutory duty on the Council to monitor its budget during the financial year and its expenditure and income against the budget calculations. The Council sets out its treasury strategy for borrowing and an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

11.2 The Council is legally obliged to 'have regard to' the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act. Furthermore, the Prudential Code emphasises that authorities can set their own prudential indictors beyond that specified in the Code where it will assist their own management processes.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

Appendix A – Provisional outturn
Appendix B – Capital overview
Appendix C – Capital detail
Appendix D – Transfers to/from reserves
Appendix E – Schools Balances