
MEETING: **RESOURCE AND PERFORMANCE SCRUTINY COMMISSION
THE EXECUTIVE
COUNCIL**

DATE: **12 February 2008
13 February 2008
20 February 2008**

SUBJECT: **BUDGET 2008/09 TO 2010/11**

REPORT FROM: **Executive Member for Resource & Performance**

CONTACT OFFICER: **M Owen – Director of Finance and E-Government**

TYPE OF DECISION: **Council**

REPORT STATUS: **FOR PUBLICATION**

PURPOSE/SUMMARY:

The report provides Members with details of the Capital Programme for 2008/09 TO 2010/11 (section A) and the latest estimate of the revenue outturn position for 2007/08 and the forecast Revenue Budget for 2008/09 TO 2010/11 (section B).

Section A sets out the draft Capital Programme for 2008/09 to 2010/11 and a forecast of the available resources. It recommends a continuation of the existing strategy of linking resources to Council priorities and, recognising that the level of resources available for discretionary schemes is extremely limited, suggests that the allocation of any available resources be limited to five key policy areas.

Section B addresses the revenue budget for 2008/09 to 2010/11 and it also outlines other important budget issues including the final Formula Grant Settlement for the year, the forecast Collection Fund position and the Council Tax base. It examines the robustness of the assumptions behind the budget forecast and it contains an assessment of the adequacy of the Council's balances. In doing this it details the potential impact on balances and on the level of the Council Tax for the coming year. Assuming a rise in the Bury element of the Council Tax of 5% then the forecast budget shows a deficit of £5.215m for 2008/09, after making provision for a £1.900m contribution into the Priority Investment Reserve, and the report goes on to suggest options for balancing the budget.

OPTIONS AND RECOMMENDED OPTION (with reasons):

Section A – Capital Programme

1. That the Capital Programme for 2008/09 and future years, shown in Appendix B be approved, amended or rejected depending on the preferred option to address the shortfall identified;
2. That the proposed financing of the Capital Programme be approved, amended or rejected;
3. That the use of **£2.532m** of capital receipts to support the Programme be noted;

Section B – Revenue Budget

4. That the details of the final Formula Grant Settlement for 2008/09 be noted;
5. That proposals around the use of the Area Based Grant set out in paragraph 2.8 be approved;
6. That the forecast Collection Fund position as at 31st March 2008 be noted;
7. That the level of repayment of principal on General Fund debt at the minimum of **4%** be approved;
8. That it be noted that under delegated powers the Director of Finance and E-Government calculated the amount of **59,527.62** as the Council Tax base for the year 2008/09 in accordance with the Local Government Act 2003 and with regulations made under section 33(5) of the Local Government Finance Act 1992;
9. That the forecast outturn position for 2007/08 be noted;
10. That the Golden Rules set in section 4.3 be reaffirmed subject to the amendment set out in paragraph 4.3.4 increasing within the formula the amount below which the balances cannot fall to **£3.2m**;
11. That the actual minimum level of balances for 2008/09 be increased to **£3,600,000**;
12. That the draft Revenue Budget for 2008/09 as shown in the report be approved or amended, together with the options for balancing the budget;
13. That the recommendations of the Schools' Forum around education funding issues be noted;
14. That the level of summons costs levied in respect of non-payers of Council Tax and Business Rates be increased to £71.00 and £100.00 respectively as set out in paragraph 6.10 (subject to ratification by the Magistrates' Court);
15. That the statements by the Director of Finance and E-Government on the robustness of budget assumptions and on the minimum level of balances be endorsed;
16. That consideration be given to the level of the Band D Council Tax for 2008/09;
17. That, in making the decisions asked, Council gives appropriate consideration to the results of the budget consultation process;
18. That consideration be given to the budget position for 2009/10 and 2010/11, as outlined in section 12 of the report.

IMPLICATIONS -

Financial Implications and Risk Considerations

The financial implications of the budget and the risks associated with the calculations and strategy are set out in the report.

Corporate Aims/Policy Framework:

Do the proposals accord with the Policy Framework? Yes

Are there any legal implications? Yes

Considered by the Monitoring Officer? Yes. The budget proposals fall within appropriate powers and duties.

Statement by Director of Finance and E-Government: The financial implications of the budget and the risks associated with the calculations and strategy are set out in the report.

Staffing/ICT/Property: There will be some staffing, ICT and property issues arising from this report depending on decisions taken in respect of the scale and detail of the Capital Programme and the Revenue Budget.

Wards Affected: All

Scrutiny Interest: Primarily Resource and Performance Scrutiny Commission. This report will be considered by the Commission on 12 February 2008, building on the considerations that the Commission gave to the Executive's proposals for the budget when they received the Financial Strategy on 8 January 2008.

TRACKING/PROCESS

DIRECTOR: Mike Owen

Chief Executive/ Management Board	Executive Member/ Chair	Ward Members	Partners
Both	Leader Executive Member (Resource and Performance)		LSP Headteachers
Scrutiny Commission	Executive	Committee	Council
		JCCs	

SECTION A

CAPITAL PROGRAMME

1.0 INTRODUCTION

- 1.1 The report provides Members with details of the capital resources available for 2008/09 together with the schemes that have been put forward by Directors. It also outlines the process adopted by the Asset Management Strategy Group (AMSG) for prioritising the bids for schemes and provides details of a recommended Programme.

2.0 PROGRESS AGAINST THE 2007/08 PROGRAMME

- 2.1 Details of spend against the 2007/08 Programme are set out in the Corporate Finance and Performance Monitoring Report 2007/08 (month 9) that is attached elsewhere on the agendas for the meetings. Re-profiled slippage resulting from the in-year monitoring has been reflected in the draft 2008/09 Programme attached at Appendix B to this report.

3.0 CAPITAL RESOURCES FOR 2008/09

- 3.1 The Capital Programme is funded from four main sources:
- Borrowing
 - Capital grants and contributions from external agencies
 - Capital receipts from the sale of assets
 - Revenue contributions and reserves
- 3.2 Although the Prudential Code regime allows each Local Authority to decide on their borrowing levels for Capital Expenditure, only a specified amount is supported by Government through inclusion of the related financing costs in the Revenue Support Grant for the year. All Local Authorities received the final settlement figures for the Formula Grant in late January 2008.
- 3.3 The Government-supported borrowing figure is limited to the level of individual Government Departments' Annual Capital Guidelines (ACGs). The ACGs reflect the level of capital spending that Government departments feel is appropriate for various services within the Council.
- 3.4 It should be noted that ACGs are advisory although some of the Government Departments, particularly Highways and Transport have indicated that expect to see the expenditure on these services set at the level of the ACG.
- 3.5 The other main funding source is capital receipts generated from the sale of the authority's land and property. The level of capital receipts expected to be available to fund the 2008/09 Programme is shown in the table below. In order to protect the authority's market position details of the amounts assumed from the individual receipts have not been shown but are available to Members on request.
- 3.6 Members are asked to note that there is often a degree of uncertainty around the amount to be generated and the timing of individual asset sales. For that reason it is strongly recommended that the authority maintains its previous policy of committing to schemes funded from receipts only when the receipt is certain to be received.

3.7 The table below summarises the capital funding sources that are available:

	£m
Borrowing	6.284
Borrowing – ALMO element	7.930
Usable Capital Receipts/Capital Reserve	2.532
Grants and External Contributions	15.374
Regional Housing Allocation	1.070
Major Repairs Allowance (Housing only)	4.824
TOTAL FUNDS	38.014

4.0 CAPITAL BIDS

4.1 Preparation of the Capital Programme is undertaken in two stages. Firstly, scheme bids are placed into the following categories:

- 100% funded schemes
- Contractually/morally approved schemes
- On-going programmes (including Statutory/emergency schemes)
- Discretionary schemes

4.2 In line with the priority-led approach previously approved by the Executive it is assumed that Members will wish to support the inclusion of schemes that fall into the first three categories. These are reflected in the Capital Programme shown in Appendix B and further details of these categories are given below:

4.2.1 **100% Funded schemes** – these are schemes that are fully funded, where funding is ring-fenced by the Government or another external agency. Such schemes total **£17.886m** and it has been assumed that these should be included in the Programme in order that the funding is utilised.

4.2.2 **Contractually / morally committed schemes** – these are schemes that are committed, generally from starts made in 2007/08. They involve total expenditure of **£11.315m** in 2008/09. Of this amount, £0.815m will be generated from external sources and the balance of **£10.500m** will be a call on the authority's own funding.

Members are reminded that they have flexibility to decide whether the morally committed schemes have to go forward.

4.2.3 **On-going schemes** – these relate primarily to programmes of expenditure which bring spending on various services up to the level indicated by the service ACGs shown below and previously Members have indicated that they would wish to bring funding in these areas up to levels that are no less than the ACGs. However this assumption can be challenged in whole or in part i.e. more or less can be allocated to these areas.

The draft Programme assumes total spend of **£7.922m**, with **£5.415m** coming from the authority's own resources.

- 4.3 The next stage is to assess the extent of any resources that are available to fund new schemes. On the assumption that Members would wish to include 100% funded, morally and contractually committed, on-going and statutory and emergency schemes in the Programme then the position for 2007/08 is as follows:

	£m	£m
Available resources		38.014
100% funded schemes	17.886	
Contractually/morally committed schemes	11.315	
On-going schemes	7.922	37.123
Available for discretionary schemes		0.891

- 4.4 Reviewing the Capital Programme is an on-going process and it has been clear for some time that available resources would be low in 2008/09 as a result of the high level of longer-term schemes and so the Asset Management Steering Group has previously recommended, and Council has accepted, that any funding which was available should be focussed on a small number of priority areas.

- 4.5 During 2007/08 and following an assessment of Council priorities against scheme bids Council agreed that funding should only be considered for the following four priority areas:

- Disabled Facilities Grants
- Radcliffe Riverside School
- The Care Village
- Customer Contact
- Backlog maintenance

- 4.6 Following a recent report to Executive on the Customer Contact initiative it was agreed that the provision of a one-stop shop in the Town Foyer will no longer be required. As such this can now be removed from the list of priorities.

- 4.7 A fully funded package (currently totalling £31.261m) exists in respect of the Radcliffe Riverside School and **the scheme is considered to be contractually committed**. However total costs and cash flow details cannot be finalised until land acquisition has been completed, hence the fact that no figures are currently shown in Appendix B. Once the final figures are known the scheme will be incorporated into the Programme and an amended version of Appendix B will be published.

- 4.8 The Financial Strategy for 2008 to 2011 assumed that Members wish to continue to completion the extensive developments that have taken place within the Pimhole area and so this was added to the list of capital priorities when the Strategy was approved.

- 4.9 This means that the priorities for funding in 2008/09 should be:

Ambition	Scheme
<ul style="list-style-type: none"> • Healthiest Borough • Centre of Excellence for Education • Safe and Secure • First Class Services • The Place to Live 	<ul style="list-style-type: none"> • Disabled Facilities Grants • Radcliffe Riverside School • The Care Village • Backlog maintenance • Pimhole phase 2

- 4.10 The Council currently funds disabled adaptations to its own houses from within the repairs and maintenance element of the Housing Revenue Account (HRA) and it is now apparent that this approach is open to question. It is therefore necessary to phase this expenditure out of the HRA and into the Capital Programme and an amount of £0.200m will need to be built into the 2008/09 Programme.
- 4.11 Finally a bid has been received in respect of a need for additional Disabled Facilities Grants, totalling £0.290m.
- 4.12 Taking into account the priorities and demands described above the funding situation is as shown in the following table:

	£m
Pimhole phase 2	0.875
Public Sector adaptations	0.200
Disabled Facilities Grants	0.290
	1.365
Less available resources	(0.891)
Additional resources required	0.574

5.0 OPTIONS

- 5.1 Options available for balancing the Capital Programme 2008/09 are as follows:

Option 1:

Utilise additional borrowing. If a total of £0.574m was borrowed then additional full year revenue costs would be £0.050m pa. This would, however, be in breach of the Golden Rules (see Revenue Budget section of the report; paragraph 4.3).

Option 2:

Create additional resources by funding part of the Capital Programme by slippage as was done in previous years. Given that £0.490m of the bids can be looked at as being 'one-off' options then it would be acceptable to fund this from slippage.

Option 3:

Reduce the provision made for on-going schemes. The draft Programme makes provision for on-going schemes of £7.922m (of which £5.415m is funded from Council resources).

Option 4:

Any combination of the above

- 5.2 It is recommended that the position set out in paragraph 4.12 be addressed by slippage of £0.574m.

6.0 RISK ASSESSMENT

- 6.1 There are three main risks inherent in the capital strategy recommended above:
- **Capital receipts are not realised to the level anticipated above.** This is a major risk and is one that has impacted on the 2008/09 Programme. Capital receipts are graded by degree of risk and those included in the total shown in table in paragraph 3.7 are considered to be low. However it is strongly recommended that schemes which are reliant on capital receipts do not begin until there is a high degree of certainty that the relevant receipt will materialise.

- **Schemes slip from one year to the next.** This is a normal feature of capital schemes and can occur for a large number of reasons. The risk can be mitigated by slipping corresponding resources between years and is not felt to be high.
- **Scheme costs increase.** Again this is not unusual, but unlike slippage, increased costs are more than timing issues and this cannot be mitigated without an impact on other schemes within the Programme or an impact on future years' resources. The risk can be mitigated by the use of sound costing techniques, effective project management and monitoring schemes using a risk assessment approach.

The Capital Programme Management Group meets regularly to monitor the Programme and monitoring reports are considered by Management Board, Executive and Scrutiny Commissions on a quarterly basis. Should intervention action be required then it will be undertaken immediately and may include a moratorium on scheme starts, the realisation of further capital receipts or the use of additional borrowing (subject to revenue resources being available).

SECTION B

REVENUE BUDGET

1.0 INTRODUCTION

- 1.1 This section of the report examines the position in respect of the Revenue budget for the current and future years, but in doing so it takes a holistic approach to the Council's finances and reflects the revenue implications of proposals made in respect of the Capital Programme. The position in respect of the ring-fenced Housing Revenue Account is the subject of a separate report.
- 1.2 The report begins by providing Members with details of the final Local Government Finance Settlement for 2008/09 and the impact on Bury. It then goes on to provide details of the forecast revenue outturn position for 2007/08 and the draft Revenue Budget for 2008/09 to 2010/11.
- 1.3 It then summarises the options identified for meeting the anticipated shortfall on the draft 2008/09 Budget and explains the position in respect of the Collection Fund. Finally on the revenue side, it examines Council Tax options for 2008/09.
- 1.4 Local Government finance is a complex subject and to assist Members a glossary of the main terms and acronyms is attached at Appendix A.

2.0 FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2008/09

- 2.1 The provisional Local Government Finance Settlement (the Settlement) was published on 6 December 2007 and provided details of the authority's income from Formula Grant (previously Revenue Support Grant and National Non-Domestic Rates), Area Based Grant (see below) and the Dedicated Schools Grant.
- 2.2 Details of the provisional Settlement, including key headlines and tables showing the relevant figures for Bury and other authorities, were set out in a briefing note circulated to all Members later that day. This paper noted that Bury had received another disappointing Settlement compared to other authorities.
- 2.3 At a national level, the provisional Settlement reflected the headline figures announced as part of the 2007 Comprehensive Review. More importantly, it reflected the outcome of the national consultation exercise undertaken during summer 2007 on the distribution formulae themselves. In this respect Bury fared well due to the removal of the so-called 'double damping' within the Personal Social Services block, something which the authority has lobbied hard for. However this was mitigated by data changes, most notably the fact that Bury's population had fallen in both actual terms and proportionately compared to other authorities.
- 2.4 A robust response to the provisional Settlement was sent to the Local Government Minister, highlighting the following issues:
 - The increase in Bury's Formula Grant in each of the coming three years is below the average for England, and for metropolitan authorities (see below);
 - The actual increase in 2009/10 and 2010/11 is below the deflator assumed within the Settlement meaning that in these years we will see a real terms cut in Grant (see below)
 - The overall Settlement indicates that the amount of funding provided to local government as a whole from national taxation has reduced by £4.1bn with the shortfall being met from business rates
 - Concern that the Government's expectations for rises in the Council Tax are unrealistic in the light of the Settlement and the pressures facing local government
 - The need for the welcome ending of 'double damping' to be confirmed in the final Settlement

- Concern that the Government's good intentions in reducing grant restrictions through the introduction of the Area Based Grant may be hampered by the actions of individual Departments

2.5 The final Settlement was announced on 24 January 2008 and this broadly confirmed the details of the provisional Settlement but also made provision for an adjustment for Public Law Family Fees to reflect the policy change by her Majesty's Court Service to full cost recovery for proceedings under the Children's Act.

2.6 Details of the Settlement at a **national** level can be summarised as follows:

- Headline increases in total cash funding for all local government services including schools (known as Aggregate External Finance or AEF) of:

	Increase in AEF
2008/09	4.0%
2009/10	4.3%
2010/11	4.3%

This compares with an increase of 4.9% in AEF in 2007/08.

- Total increases in Formula Grant (Revenue Support Grant and Business Rates), which funds all non-schools services, of:

	Increase in Grant
2008/09	3.5%
2009/10	2.8%
2010/11	2.6%

- There have been a number of changes to the formulae following a consultation exercise that took place earlier this year. Most significantly the formulae have been changed to remove the so called 'double damping' within the children's and younger adults' sub-blocks of social services; this is something that Bury campaigned hard (along with SIGOMA) to have changed and it is a major victory for metropolitan authorities at the expense of London councils (who lose out significantly – see later).
- Floors (the minimum level of grant increase) have been continued and set at:

	2008/09	2009/10	2010/11
Authorities with Education and Social Services responsibilities (e.g. Bury)	2.0%	1.75%	1.5%
Police Authorities	2.5%	2.5%	2.5%
Fire and Rescue Authorities	1.0%	0.5%	0.5%
Shire districts	1.0%	0.5%	0.5%

The cost of the 'floor' mechanism is self-financing which means that authorities who receive a grant increase above the 'floor' level have to contribute towards

the cost of bringing the remaining authorities up to the 'floor', and they do this by losing grant. Bury's grant allocation falls above the floor in all three years and as a result we have lost a total of **£4.195m** over the coming three years to support 'floor' authorities.

- A number of grants have been switched from cash into the Formula Grant system, including Access and Systems Capacity, Delayed Discharges, Children's Services, Waste Performance and Efficiency and Dog Control. The amounts transferred appear to be in line with expectations.
- The 2008/09 – 2010/11 Dedicated Schools Grant (DSG) allocations for individual authorities have also been announced. The table below shows percentage increases in DSG funding per pupil:

Year	Bury	England
2008/09	4.3%	4.6%
2009/10	3.6%	3.7%
2010/11	4.2%	4.3%

The actual increase in cash grant will depend on a number of factors, including pupil numbers.

- The Department for Communities and Local Government has also confirmed that a new grant, known as the Area Based Grant will be introduced from 2008/09. This will comprise a number of what were, previously, special and specific grants and the new grant will (in theory) be free from national restrictions meaning that authorities will have freedom to spend the grant in areas that reflect local priorities.

2.7 Bury's grant for the coming three years is set out in the following table (NB to allow for meaningful year-on-year comparisons the Settlement provides adjusted figures for each year to compensate for technical changes. This means that the % increases shown reflect changes in adjusted figures for the previous year, not changes between actual cash figures)

	Bury's Cash Grant £m	Increase in Grant (on previous year)
2008/09	63.103	3.4%
2009/10	64.688	2.6%
2010/11	66.139	2.3%

- Whilst the 2008/09 figure is above the increase assumed in the current budget forecast (2.7%) and will provide some vital headroom (c£0.5m) to contribute towards the cost of job evaluation, the rises for 2009/10 and 2010/11 are below current forecasts, thus worsening the position in those years.

- The table below shows Bury's increases compared to other classes of authority:

	2008/09	2009/10	2010/11
Bury	3.4%	2.6%	2.3%
Greater Manchester	4.2%	3.1%	2.5%
Met districts	3.9%	2.9%	2.5%
London boroughs	2.4%	2.0%	1.8%
Shire districts	1.7%	1.4%	1.3%
England	3.5%	2.8%	2.6%

Comparatively speaking, Bury's increases are below the average increase for Greater Manchester authorities, for Metropolitan Districts, and for England as a whole. However, we have fared better than the London boroughs.

- 2.8 The increased freedom resulting from the introduction of the Area Based Grant is to be welcomed. However Members are reminded that the grants wrapped up into the new Grant fund a number of key functions and many of these involve the employment of staff members. It is therefore recommended that the Council should adopt a 'business as usual' policy in respect of the spending patterns underpinned by the Grant, **but for 2008/09 only** and in future years the allocation of the Area Based Grant should be moved towards a basis in which it is used to meet the Council's local priorities. It is proposed that this be done by 'top slicing' a proportion of the Grant in each year with the amount top-sliced being paid into, and reallocated via, the Priority Investment Reserve. The actual amount top-sliced will be determined during the coming year and firm recommendations will be made as part of the Financial Strategy 2009 to 2012.

3.0 FORECAST OUTTURN 2007/08

- 3.1 The Council operates a delegated cash ceiling scheme and in order to achieve sound financial management and effective budgetary control budgets are reviewed and revised on an on-going basis within individual services.
- 3.2 However, whilst it is not necessary to undertake a formal revision of the corporate budget it is essential that a forecast is made of the potential outturn position for the year. Not only is this a matter of good practice but of particular importance is the fact that it also allows a forecast to be made of the likely level of balances available to support future years' budgets.
- 3.3 Members should also note that with effect from 1st April 2004, under the provisions of the Local Government Act 2003, authorities are now required to monitor formally their financial position, and the adequacy of their minimum balances, on a regular basis and to take corrective action where this appears to be necessary.
- 3.4 Finance and performance is monitored in different ways at different stages of the year:

Monthly - reports are considered by service management teams and summaries made available to specific Executive Members. A monthly summary of the financial position is submitted to Management Board and to the Executive Member for Resource and Performance.

Quarterly – detailed corporate monitoring reports based on the position at June, September, December and March are considered by Management Board, the Executive, the Audit Committee, Star Chambers and the Resource and Performance Scrutiny Commission. These reports set out a risk assessed summary of the financial position together with supporting performance information, explanations of the major variances, an assessment of the minimum level of balances, information on the forecast balances position and an assessment of performance against the objectives of the Financial Strategy (including the Golden Rules).

3.5 In 2007/08 a number of “hot spots” have been identified and these include:

- | | |
|--|-------------------|
| • Leisure Services | £0.209m overspent |
| • Learning Disability Partnerships | £2.243m overspent |
| • Services for people with Physical Disabilities | £0.409m overspent |
| • Legal and Democratic Services | £0.225m overspent |

A number of budgets are showing underspendings which will be used to mitigate the effects of the ‘hot spots’.

3.6 The overspending areas identified are being tackled in a number of ways including Best Value reviews and service specific Action Plans. Star Chamber meetings pay particular attention to budgets with the highest risk.

3.7 Taking into account forecast under and overspendings within other Departments and services it is currently anticipated that the Council’s overall revenue budget will overspend by **£0.233m**. However trends in recent months point to a constant improvement in the position and it is possible that the remedial action currently being taken will bring the budget into balance by 31st March 2008. Having said this, prudence dictates that financial plans should be based on the more pessimistic position and a sum of £0.233m will be earmarked within the General Fund balances to meet the overspending currently being forecast.

4.0 DRAFT REVENUE BUDGET 2008/09 TO 2010/11

4.1 The section of the budget report will examine a number of issues pertinent to the budget preparation process:

- “Golden Rules” supporting the budget strategy
- The budget strategy itself
- Assumptions behind the draft 2008/09 to 2010/11 revenue budget
- The draft budget for 2008/09
- Options for balancing the 2008/09 budget

4.2 The report then goes on to consider the robustness of the estimates behind the draft budget and this in turn leads to an assessment of the adequacy of the Council’s minimum level of balances. This is linked to an evaluation of the financial implications of the corporate risks that are faced by the Council in relation to it delivering on its priorities.

4.3 Golden Rules

- 4.3.1 The authority has set out the assumptions that underpin the budget setting process in the Financial Strategy 2008 - 2011 but by necessity the Strategy is fluid and moves to reflect such matters as the changing circumstances faced by the Council, up-dated priorities and ambitions, the latest financial situation, national Settlements and so on. It should therefore be considered to be dynamic, and integral to what we stand for, and are about. No longer are we resource or priority-led, rather we are moving to a seamless integration of our needs and capacity to deliver.
- 4.3.2 Whilst this is right and proper, it is also important that the Council enshrine certain values into its longer-term approach to its finances and so four 'Golden Rules' were adopted by Members in February 2007, to underpin the budget setting and management process:
- The level of General Fund balances retained by the Council to meet unexpected changes in the budget or to fund events that cannot be foreseen will be based on an assessment of the risks faced by the Council but they will not be allowed to fall below the higher of £3m or 2.5% of the net budget (excluding schools). This formula needs to be debated and justified in relation to the risk strategy adopted each year.
 - The level of one-off options used to support the on-going revenue budget will reduce in each successive year with an aspiration to move to a fully sustainable budget by 2010/11 after which on-going costs will be fully met from on-going resources
 - Prudential borrowing will only be undertaken on an Invest to Save basis
 - Pressures and savings will be assessed on a 3-year, rather than a one year basis
- 4.3.3 The Director of Finance and E-Government reports on progress against the 'Golden Rules' as part of the quarterly Finance and performance Monitoring report.
- 4.3.4 It is clear that the Golden Rules have had a positive influence on the Council's financial standing and it is recommended that they be re-adopted for the 2008/09 budget setting process, in line with the Financial Strategy. However due to the year-on-year rises in the base budget since the Golden Rules were first adopted it is recommended that the rule relating to the minimum level of balances be amended to say that balances will not fall below the higher of £3.2m or 2.5% of the net budget (excluding schools).

4.4 The Budget Strategy 2008/09

- 4.4.1 The draft Budget for 2008/09 has been prepared in line with the objectives, strategy and assumptions set out in the Financial Strategy 2008 - 2011 and with the Golden Rules identified above. However in coming to a view on the budget for the year a number of specific issues were identified that have also had a major influence on the approach adopted.
- 4.4.2 Strategy for the 2008/09 Budget:
- To prepare a budget that reflected the costs of inflation and other unavoidable cost increases, leading to a 'continuation of service' budget
 - To set a Council Tax that avoids the threat of capping, based on the best information available on capping criteria and on the results of budget

consultations (whilst questioning the assumptions behind capping and the Formula Grant system as it applies to Bury).

- To identify cashable efficiency savings in line with the 2008/09 efficiency targets and pay 50% of these into the Priority Investment Reserve. The remainder will be available to services to meet specific priorities in line with Departmental Medium Term Financial Strategies;
- To link investment and savings decisions to the Council's policies, priorities and other strategies and to the need to maintain the direction of travel on service performance
- To reduce the reliance on one-off financing options in 2008/09 by at least a further £0.3m

4.4.3 Policy direction in terms of balancing the gap between income and expenditure has centered on:

- Prioritising those policy and service areas central to Bury's Community Strategy and Corporate Plan
- Negating the impact of reduced expenditure upon service recipients
- Maximising savings in 'back office' functions
- Maximising 'value for money' across service areas
- Reducing expenditure in areas of top quartile service delivery
- Maximising efficiency
- Outsourcing service provision where justified
- Providing an 'economy of scale' by cross agency delivery in Bury
- Exploring cross-boundary service delivery models
- Ceasing some areas of discretionary activity

4.4.4 Given the financial situation that was projected when the 2008/09 budget forecast was first produced the budget **initially** being recommended to Members makes **no** provision for additional pressures faced by individual services.

4.4.5 As such, and because of the budgetary position of the Council, these pressures may be managed, but not eradicated. The risk strategy is designed to provide an inter-play between these factors, bringing to the corporate agenda those pressures as they present themselves, whether anticipated or in exceptional circumstances. This is a new departure in the Council's strategy, designed to provide greater stability in budgetary control and it will be managed through regular meetings of the service Star Chambers.

4.4.6 However, the approach adopted in respect of the PIR means that positive steps can be made towards addressing pressures and priorities and more details are set out in paragraph 4.8 and section 8). In addition Directors now prepare Medium Term Financial Strategies within their own cash ceilings showing how spending needs will be matched to anticipated budget allocations over the coming three years. This is a significant departure from the year-on-year budget management that has been expected from Directors in the past.

4.5 Assumptions

4.5.1 The draft Budget for the coming year has been prepared by rolling forward and re-pricing the current year's budget in line with the Financial Strategy. This process has a number of specific stages:

- Adding the effects of inflation and other allowable cost increases to the current year's budget;
- Determining the effects of switching cash grants into Formula Grant and applying accordingly when known;
- Assessing unavoidable pressures that must be met to maintain a standstill budget;
- Transferring 50% of the level of cashable Gershon savings into the Priority Investment Reserve (PIR) (see section 8)
- Calculating the resources that will be available for a given level of Council Tax increase;
- In exceptional cases, building in to the process the revenue affects of Members' long-term decisions
- Determining options for addressing any budget deficit, balancing income with expenditure;
- Allocating funds from the PIR against bids, in line with Council priorities.

4.5.2 The initial budget for 2008/09 to 2010/11 has been prepared in line with the 'Golden Rules', the Financial Strategy and the strategy set out in section 4.4 above and has resulted from a considerable and energetic input from Members and officers. The task of achieving the strategy direction and policy aspirations whilst balancing the need to meet exceptional demands with extremely limited resources has been exceptional.

4.5.3 A number of assumptions have been used in calculating the figures, taken from the Financial Strategy or from the latest information that is available:

- | | | |
|-------------|--------------------------|-----------------|
| • Inflation | Pay | 2.0% |
| | Prices | 2.0% |
| | Income | 3.0% |
| | Passenger Transport levy | Actual increase |
| | Waste Disposal costs | Actual increase |
- Council Tax rise of **5.0%** (Bury element)
 - Council Tax base **59,527.62** Band D properties
 - Contribution from Collection Fund **£142,000**

4.5.4 Members attention is particularly drawn to towards:

- Staff pay level increase at 2.0%; this is an assumption as the pay award has yet to be settled and the inherent risk has been reflected in the minimum balances calculation
- Demand led pressures in excess of nominal inflation
- Bury's high VFM rating
- Changes in the grant distribution formula and losses through damping

- A non-transparent methodology of distributing grant to local areas
- The ability to demonstrate clearly the reallocation of resources on a priority-led basis

4.5.5 The Director of Finance and E-Government's assessment of the robustness of these, and other, assumptions is set out in section 9 and Members are asked to give particular attention and endorsement to the Director's comments.

4.6 The Draft Budget 2008/09

4.6.1 Budgets reflecting cost increases identified between 2007/08 and 2008/09 have been drawn up in consultation with the Heads of Finance and other staff within the Council's Departments. This budget reflects the assumptions set out in section 4.5 above, but excludes costs funded by the Dedicated Schools Grant.

4.6.2 The table below summarises the draft 'standstill' budget for 2008/09

	£000	£000
Base Budget 2007/08		124,370
Add back:		
One-off savings	999	999
Inflation		
Pay	2,589	
Prices	3,210	
Income	-2,035	
Passenger Transport Authority (above 2%)	380	
Waste Disposal Authority (above 2%)	568	4,712
Staffing costs		
1% increase in employers' pension contribution	572	
Increments	559	1,131
Revenue effects of Capital Programme		328
Grant Tapers		3,179
Cost of borrowing		900
Budget Pressures (at standstill)		
Loss of car parking income (Town centre redevelopment)	179	
Provision for cost of referendum for Elected Mayor	150	
Empty rates/revaluations	113	
Rent loss due to non-housing property sales	30	
Coroners' costs	59	
GM Archive service developments	20	
Increase in Concessionary fares	15	
Other	32	598
Estimated Budget 2008/09		136,217
Formula Grant	-63,103	
Council Tax (assumes 5% rise in headline rate)	-70,157	
Collection Fund	-142	-133,402
SHORTFALL		2,915
Cashable efficiency savings to the Priority Investment Reserve		1,900
Additional Formula Grant to Priority Investment Reserve (for Job Evaluation)		500
TOTAL SAVINGS REQUIRED		5,215

4.6.3 Options for balancing the budget are set out in section 7.

4.7 Efficiency savings

4.7.1 From 2008/09 the Council will be required to make annual cashable efficiency savings amounting to 3% of the non-schools budget (as adjusted for various items). No specific target has been identified by the Government but an in-house assessment puts the cashable target at £4.1m. However it is worth pointing out that the Council has already exceeded the target set for the period 2004 to 2007 by some considerable way and these savings have since been reinvested into front-line services via the Priority Investment Reserve or to mitigate against the possibility of cuts in front-line services.

4.7.2 It is therefore proposed that the current stated policy of redirecting cashable efficiency savings into services in line with priorities is continued at similar levels previously identified i.e. £1.9m in 2008/09 rising by inflation each year (as measured by the budget assumptions) and that the remainder of savings are left within services to be allocated as part of their Medium Term Financial Strategies.

4.8 Service Developments/Pressures

4.8.1 The budget set out in the table in section 4.6 reflects a standstill, or continuation of service, budget. However it is recognised that there will be additional pressures on service budgets. Details of the recommended approach to identifying, and addressing, priorities and other developments are set out in section 8 of this report.

4.8.2 For those pressures which do not receive additional internal funding all Directors have also been asked to prepare Medium Term Financial Strategies within their own cash ceilings showing how spending needs will be matched to anticipated budget allocations over the coming three years, taking account of the Council's priorities.

4.9 Equal pay/Job Evaluation

4.9.1 The authority recognises that it may face a potential liability from claims under equal pay legislation and potential sources of funding for any claims have been identified outside of the mainstream revenue budget. It may also be necessary to incur prudential borrowing and provision has been made within the 'cost of borrowing' budget to cover this possibility.

4.9.2 As far as job evaluation is concerned work is in hand to implement the national scheme and to determine overall 'pay to points' levels. The scheme is currently at moderation stage and current indications are that this will be complete by March 2008. After this the scheme will then be subject to local and national consultation and an appeals process will also need to be undertaken. Whatever the final scheme/pay line chosen it is likely that job evaluation will have a significant financial impact, both in terms of pay costs going forward and also in terms of protection for those posts which see pay levels fall.

4.9.3 Given that job evaluation ranks highest on the Council's corporate risk register it is strongly recommended that provision is made within the 2008/09 budget to meet the best estimate of on-going costs.

4.10 Schools' Issues

4.10.1 The Dedicated Schools Grant (DSG) is ring-fenced and distributed to local authorities only to be spent on specified areas within the Schools Block and does not include Standards Fund and Schools Standards Grant monies.

Schools Block	£ millions	£ millions	Percentage Increase
Total Dedicated Schools Grant			
2007/08 Final Budget	105.016		
2008/09 Estimated Budget	<u>108.362</u>	3.346	3.2%
Schools Delegated Budgets			
2007/08 Original Budget	93.872		
2008/09 Estimated Budget	<u>97.268</u>	3.396	3.6%
Central Spend			
2007/08 Original Budget	11.019		
2008/09 Estimated Budget	<u>11.541</u>	0.522	4.7%

4.10.2 The Estimated 2008/09 DSG published in November 2007 is based on the DCFS' estimates of pupil numbers. The Final DSG will be based on the January 2008 PLASC Return and the Early Years Census which is scheduled for early March 2008. Consequently the Final DSG will be available towards the end of May 2008 and it is anticipated because of additional pupil numbers that there will be additional grant monies of approximately £200,000 which has been included within the amount to be distributed to schools.

4.10.3 Throughout Authorities in England the baseline increase in Amount per Pupil is 3.1%, with further allocations being made for Personalised Learning and SEN increases the DSG per pupil. Despite the predicted drop in pupil numbers the **£108.362m** is the largest ever annual revenue budget that Bury has had for its schools.

4.10.4 These figures do not include devolved Standards Fund grants or the Schools Standards Grant, which will increase by the Minimum Funding Guarantee of 2.1% to over £9 million for these two grants. Consequently the total budget that will be available to be spent in schools is approximately £117½ million.

4.10.5 For information, the "Central Spend within the Schools Block" includes Pupil Referral Units, Out-of-borough Placements, Schools Catering (excl High Schools) and fee payments to PVI providers (under 5's). Supply cover for long-term absences, such as Maternity leave, are also included within the Central Spend.

4.10.6 By including the funding for the Curriculum Language Advisory Service within the Central Spend has meant that this total budget will increase at a faster rate in 2008/09 than the increase in schools' delegated budgets. This 'breaches' the Central Expenditure Limit calculation and requires the sanction of the Schools Forum. This was formally agreed at their meeting on 4th February 2008.

Allocation of Resources to Schools' Delegated Budgets

4.10.7 The Schools Forum at their meeting on 4th February 2008 recommended the following amendments to the Schools Formula Funding mechanisms:

- Increase Age Weighted Pupil Unit (AWPU) by 7.26%, which now includes Threshold and Salary Safeguarding payments
- Increase the Special Schools Placement factor by 4.97%, which now includes Threshold and Salary Safeguarding payments
- Equalising the Nursery, Reception, Key Stage 1 and 2 weighting factors from 1.03, 0.89, 0.89 and 0.90 respectively to 0.91 (other weighting factors remain the same - Key Stage 3 is 1.00; Key Stage 4 is 1.20)
- Increase the Statement component by 2.475% in line with pay awards
- Increase the component funding for all specialist units by 2.475% in line with pay awards
- Increase the Premises component for Caretakers & Cleaners by 2.475% in line with pay awards
- Increase the Repairs and Maintenance component by £1.14 per square metre to provide a contribution towards increased Health & Safety costs
- All other components are being increased by 2.1% in line with the Minimum Funding Guarantee
- All factors based on actual costs such as rates, rents and insurance premiums will be updated accordingly in line with any changes in costs
- Transferring the funding for the Curriculum Language Access Service from schools' delegated budgets to the Central Spend budget
- The introduction of a specific component of £5,000 per school to support the work of SEN Co-ordinators (SENCO)
- The introduction of a specific component of £1,000 for every Looked After Child on roll to enable schools to make any additional provision that may be required
- The introduction of an ICT component to provide schools with an allocation designed to help them meet the costs of ICT including Learning Platform hardware and support, licences and curriculum support
- The introduction of a specific component to provide Secondary schools participating in the specialised 14-16 Diplomas programme with a contribution to meet some of the costs. This is to be used in conjunction with existing funding streams.
- Any balance of funding after the above components have been determined will be distributed to all schools via the Age Weighted Pupil Unit mechanism.

5.0 THE COLLECTION FUND

5.1 Each year, in line with the Local Authorities (Funds) (England) Regulations 1992, the authority is required, based on information to hand on 17th January, to make a forecast of the Collection Fund balance as at the following 31st March, in this case 31st March 2008. A proportion of any forecast surplus or deficit **must** be paid over to our major preceptors, the Police and Fire Authorities, and the remainder **must** be used **in full** to reduce or increase Bury's Council Tax level.

5.2 An assessment has been made of the likely balance on the Fund at 31st March 2008 and this is estimated to be **£0.163m** of which **£0.021m** will be paid to the preceptors and **£0.142m** can be used to reduce Bury's Council Tax for 2008/09 (as shown in the table in paragraph 4.6.2).

6.0 THE COUNCIL TAX 2008/09

6.1 Acting under delegated powers, the Director of Finance and E-Government has calculated the amount of **59,527.62** (Band D equivalent) as the Council Tax base for the year 2008/09 in accordance with regulations made under section 33(5) of the Local Government Finance Act 1992. This represents a 98% in-year collection rate, in line with previous years.

6.2 The Band D Council Tax for the current year (2007/08) was set as follows:

	£	£	% change on 2006/07
Bury MBC		1,124.52	+4.9
GM Police Authority	116.19		+5.0
GM Fire and Civil Defence Authority	48.00	164.19	+3.5
TOTAL		1,288.71	+4.9

6.3 Members are reminded that the Council decided to reduce the rise in the Council Tax to 2.9% in the case in households where the Council Tax payer was aged 65 or over and not in receipt of benefit. For these households the Band D tax was £1,264.17. Throughout the budget strategy it has been assumed that this level of discount will continue, funded via the on-going provision made from the 2007/08 Priority Investment Reserve allocation.

6.4 The initial budget strategy for 2008/09 made the assumption that the Bury element of the Council Tax would rise by 5.0%, reflecting the seriousness of the budget situation following the poor Formula Grant Settlement and also noting comments made by the Local Government Minister around Council Tax capping.

6.5 In order to calculate the overall rise in the tax rate it is also necessary to factor in the potential increases in the Police and Fire precepts. For 2008/09 the Band D precept rates have been set as shown in the table below:

	Increase %	New Precept (Band D)
GM Police Authority	7.50	£124.90
GM Fire and Civil Defence Authority	3.50	£49.68

6.6 A 5% increase in the Bury element of the tax would take the Bury Band D element of the Council Tax (the only part that the Council can directly influence) to **£1,180.75** a rise of **£56.23** or **£1.08** per week.

6.7 Members are advised to consider carefully the increase in the headline tax rate in the light of the possible capping criteria. In his statement on the Settlement the Minister for Local and Regional Government referred to the Council Tax and said that the Government expects to see an average Council Tax increase in England in 2008/09 of "substantially below 5%". The Minister also said that the Government "would not hesitate to use capping powers" although he declined to elaborate on the potential criteria for capping budgets.

6.8 **It is important to stress that the 5% rise in the Bury element has been used for illustrative purposes only.** Each 1% change in the Bury rate would change the level of income available to meet the budget by **£669,000**.

- 6.9 In considering the level of the Council Tax Members must be mindful of the fiduciary duty of the Council to the Council Tax payers of the borough and the need to consider the consequences to Council Tax payers of the level of expenditure set within the budget.
- 6.10 When collecting the Council tax and business rates it is sometimes necessary to issue non-payers with summons to the Magistrates' Court. When this is done the Council is entitled to recover its costs. The costs are reviewed annually and for 2008/09 it is recommended that they be increased as follows:

	Current Costs £	Proposed Costs £	Increase £	% increase
Council Tax	68.00	71.00	3.00	4.4%
Business Rates	95.00	100.00	5.00	5.3%

7.0 OPTIONS FOR BALANCING THE BUDGET

7.1 In determining a strategy for balancing the budget Members are reminded of the Golden Rules set out in section 4.3 above and they are reminded of the impact that utilising "one-off" options will have, notably that some contribution will be required for the following year's budget.

7.2 The policy direction towards the identification of savings options is set out in paragraph 4.4.3 above and in addition the Financial Strategy recognizes that having a priority-led approach to the budget implies the need to disinvest in non-priority areas. The list set out below provides an indication of where those areas are:

- **Elderly Persons Residential Care provision** – changing patterns of care (with more people being helped to live at home) coupled with surplus capacity in the market has allowed the council to remove 30% of its directly provided residential care home places. This is set to continue as the council works towards promoting independence
- **Children's Residential Care Homes** – we have ceased to provide these services in favour of appropriate provision through the use of not for profit sector capacity and management, along with the expansion of our fostering programme to secure stable family placements
- **Home Care Support** – we will stimulate the market to encourage basic services to be delivered by the independent sector allowing in-house services to focus on the provision of intensive home care
- **Efficient Access to Services** – we are systematically withdrawing from extensive provision of reception points for face-to-face contact in favour of electronic and telephone transactions and an expansion of Information Points in Libraries.
- **Asset Management** – divesting ourselves of properties that are not fit for purpose without significant investment. An ALMO has been created to manage and maintain council housing and we are currently investigating alternative management of leisure facilities and residential care homes
- **Management and Support Services** – there will be no investment in back office functions unless value for money and transformational benefits are proven.
- **Economic Development** – Securing/subsidising large industrial and manufacturing capacity within the Borough is no longer a priority. Our input to wealth creation will focus on building the knowledge economy, promotion of local businesses and retail growth. This is in keeping with our desire for sustainable communities and the need to reduce the environmental impact of out-commuting
- **Education** – continuing to promote the reduction of surplus capacity and buildings where there is no demonstrable need

- **ICT** – adherence to out-dated technology will no longer be tolerated in favour of a challenging transformation to ‘best of breed’ systems and improved communications networks. We will then seek to change working practices to drive out efficiency savings from the investment in modern systems
- **Maintenance** – remedial activity will no longer be prioritised in favour of preventative measures

Generally, we will move away from doing things ourselves when alternatives are more cost-efficient or services can be provided more effectively through partnership working, cross-border joint provision or outsourcing

- 7.3 In anticipation of the budget position Departments were set savings targets totaling **£5.4m** as shown in the following table. These were initially allocated out to each of the main service areas on the basis of net budget; however in the latter part of the process a priority-led approach was utilised to finalise targets.

	Savings Target £m
Adult Care Services	1.630
Chief Executive's	0.420
Children's Services	1.570
Environmental & Development Services	1.780
TOTAL	5.400

- 7.4 The value of savings options identified is shown in the table below and details of individual options are provided at Appendix C:

	2008/09 On-going Options £m (i)	2008/09 One-off Options £m (ii)	TOTAL 2008/09 Options £m (iii)
Adult Care Services	1.490	0.140	1.630
Chief Executive's	0.429	0	0.429
Children's Services	1.674	0	1.674
EDS	1.442	0.338	1.780
GRAND TOTAL	5.035	0.478	5.513

- 7.5 All options have been assessed against the Council's priorities and wherever possible savings have been structured so that they lead to efficiency savings rather than service reductions and so that the impact on priority areas is minimised. Members' attention is drawn to the fact that a number of options Children's Services' options have been highlighted due to concerns about the risks involved and the Department have asked for an equivalent allocation from the Priority Investment Reserve to avoid having to implement these options.
- 7.6 The level of one-off options shown above is a matter of some concern and it will be necessary for services to identify corresponding on-going savings options during 2008/09 in order that the Golden Rules are not breached.
- 7.7 The Council will continue to review the budget during 2008/09 as part of its structured approach to achieving Value for Money. As part of this, a Service Assessment Framework has been developed and is currently being rolled out across the Council's

services directing attention to services that would benefit from Best Value reviews. In addition an Efficiency Strategy and Action Plan has been developed and Star Chambers will continue to examine VFM profiles and benchmarking data to determine areas where further efficiency savings may be found.

- 7.8 Finally, the authority will begin to develop a structured Team Bury Financial Strategy which will pay particular attention to areas where partnership working may provide opportunities for greater efficiency and/or service improvements.

8.0 PRIORITY-LED APPROACH TO RESOURCE ALLOCATION

- 8.1 The Council, working within the Team Bury framework, continuously assesses and reviews its priorities. Priorities are identified through a number of sources:

Local intelligence

The Local Intelligence System has a number of components that help identify priorities and emerging issues including Community Voice (the local citizens' panel), the Strategic Needs Assessment and the Area Issues Management System operated by BurySafe.

Partnership Working

The Council is committed to partnership working and interacts with key partners through the Local Strategic Partnership, the Public Services Board, the Local Area Partnerships and many other service specific partnerships (Crime and Disorder, Learning Disabilities, Children's' Trust etc.).

From this work, and using the intelligence system, has emerged nine ambitions for Bury as a borough, and the way in which the ambitions are to be delivered is set out in the Team Bury Community Strategy.

The Council and its partners also meet annually to review progress against the ambitions and to identify specific medium-term priorities for the coming period. This is known as the Warwick event.

- 8.2 Of course the Council recognises that it must also operate within a national framework and that it will be influenced by national events. A number of factors will have an impact on the revenue budget over the coming three years including:

- The outcome of the 2007 Comprehensive Spending Review
- The results of the Lyons Enquiry
- The 3-Year Formula Grant and Area Based Grant Settlement
- Changes in energy costs
- The impact of the sub-prime credit squeeze
- The Local Government Act 2006 and other legislative demands
- Other ongoing risks identified as part of the risk assessment process

8.3 Other factors arise from demographic issues (identified through the Local Intelligence System) or local actions:

- The impact of equal pay claims and the national job evaluation scheme
- Committed costs resulting from the extension of the recycling scheme
- Potentially increased accommodation costs with the ending of leases on Craig House and Lester House
- Falling population levels and in particular falling school rolls creating surplus places in schools
- An ageing population increasing demand in health and social care
- High cost packages/demand in Learning Disabilities and Special Education Needs
- The need for ICT investment to improve access to services and improve efficiency
- Maintenance backlog implications
- Reducing income levels (particularly from use of leisure facilities and falling Local Land Charges applications)
- A positive inspection of the Housing Arms Length Management Organisation (ALMO) has secured £26 million in Government support to enable all council housing within the Borough to achieve decent homes standard
- Options for the management of leisure facilities and Civic Halls which are being considered to increase investment in facilities and/or reduce deficits
- Pump priming money and reward grants arising from the Local Area Agreement (LAA) and Local Public Service Agreement (LPSA)
- The outcome of Service Reviews
- The need to contribute to the Priority Investment Reserve to fund developments in areas defined as council priorities

8.4 To make sense of these competing demands (and opportunities) whilst retaining our focus on corporate priorities, the Council operates a policy framework to inform and monitor spending decisions. Based on the 'Golden Rules' (see paragraph 5.3) and supported by rigorous monitoring at Member-led Star Chambers and scrutiny, our approach not only promotes priority-led budgeting but also:

- Encourages the financial implications (of new services, changes in service delivery or higher service targets) to be kept as low as possible
- Ensures that the Community Strategy, Bury Plan and Departmental Plans reflect resource requirements
- Improves the links between revenue and capital budgets
- Provides for a Priority Investment Reserve that will receive contributions from both new and re-directed existing resources (efficiency savings) and be used to fund (in part or full) new priorities as set out in the Community Strategy and Bury Plan

8.5 The Council also recognises that meeting pressures and priorities is not just a financial issue and so it will therefore take a three stage approach:

- Reallocation of existing resources – this may include a change in service direction, a refocusing of management attention, a redirection of staffing resources and/or a reallocation of revenue and capital
- Utilising LAA 1 and 2 pump-priming grant
- Allocating resources from the Priority Investment Reserve/applying available discretionary capital resources (see section A of this report for capital priorities)

8.6 The Priority Investment Reserve (PIR) is not the only financial expression of the authority's priority-led approach to resource allocation. In addition to the PIR and the long-standing priority-led approach to setting the Capital Programme, the Local Area Agreement (LAA) will see a particular focus on the following priorities.

8.7 LAA1 is focussed on the following priorities:

Corporate Priority	Activity to be Funded
Cleaner, Safer, Greener	<ul style="list-style-type: none"> • Building respect and social capital
Strengthened Communities	<ul style="list-style-type: none"> • Community engagement and capacity building
Improving Town Centres and Neighbourhoods	<ul style="list-style-type: none"> • Knowledge economy • Narrowing the gap between the most deprived SOAs
Promoting Healthier Living	<ul style="list-style-type: none"> • Improving health • Supporting carers
Improved Cultural and Sporting Opportunities	<ul style="list-style-type: none"> • Positive activities for older people
Better Opportunities for Children and Young People	<ul style="list-style-type: none"> • 'Every Child Matters' outcomes

8.8 Team Bury are also working on identifying priorities for LAA2 and the following areas are the subject of consultation:

Ambition	Activity to be Funded
The Place to Live in Gtr Manchester	<ul style="list-style-type: none"> • Improve community cohesion and engagement and developing local communities. • Reduce social exclusion. • Manage environmental assets, enhance environmental quality and address climate change. • Improve housing. • Improve the outcomes for looked after children and care leavers.
An Area Where People Feel Safe and Secure	<ul style="list-style-type: none"> • Reduce crime. • Reduce the fear of crime. • Reduce harm caused by illegal drugs. • Build respect in communities and reduce anti-social behaviour. • Improve domestic fire safety and reducing arson.
The Healthiest Borough in the N West	<ul style="list-style-type: none"> • Reduce teenage pregnancies and improve access to sexual health services. • Reduce alcohol misuse and improve sensible drinking. • Reduce health inequalities. • Support people with mental health problems. • Support people with disabilities. • Enhance children and young people's emotional wellbeing. • Safeguard children and young people through improved assessment,

	<p>intervention and focus on prevention.</p> <ul style="list-style-type: none"> • Improve safeguarding adults coverage and use of policy.
A Popular Visitor Destination	<ul style="list-style-type: none"> • Increase and improve the range of cultural opportunities in the borough.
The Premier Retail Town in the North of Gtr Manchester	<ul style="list-style-type: none"> • Increase the number of visitors to Bury town centre.
A Centre of Excellence for Education and Training in the North West	<ul style="list-style-type: none"> • Improve early years education in all settings. • Continue the transformation of secondary education in order to impact on outcomes for young people and reduce the number of young people who are not in education, employment or training. • Develop a skilled community that meets the needs of expanding work sectors in Bury.
A Place Where each Township Thrives	<ul style="list-style-type: none"> • Reducing the number of children and households living in poverty.
An Area With First Class Services	<ul style="list-style-type: none"> • Locality differentiation of service access/delivery.
Quality Jobs for Bury People	<ul style="list-style-type: none"> • Reduce worklessness throughout the borough, targeting priority neighbourhoods and groups. • Develop knowledge intensive businesses.

8.9 At the 2007 Warwick event, Members and partners considered the medium-term priorities that need to be addressed. There was firm agreement across Team Bury partner organisations to continue to focus on those ongoing priority areas identified previously i.e. reducing inequalities, community leadership, Bury's place in the world, selling the message, progressing the LAA and community engagement.

8.10 In addition it was agreed that emphasis should also be placed upon the following areas in pursuance of Team Bury ambitions, the Local Area Agreement and in the context of Bury Council, the Bury Plan:

- Further development of and support to the Local Area Partnerships
- Increased financial support for Adults with Learning Disabilities
- Better Outcomes for Children and Young People in the areas of Behavioural, Emotional & Social Difficulties (BESD) and Children's Centres
- Improving Waste Management
- Addressing Worklessness in targeted communities
- Delivering the Respect Agenda across the Borough and in targeted communities
- Reducing Alcohol Misuse across the Borough and in targeted communities
- Increasing Smoking Cessation activity across the Borough and in targeted communities
- Extending Joint Commissioning arrangements within the Team Bury family

- 8.11 A number of bids for funding from the PIR have been prepared in order to take forward the above issues. The detailed implications of, and expected outcomes from, each pressure/priority have been worked up as part of the detailed budget preparation process and pro formas have been prepared that set out this information. Recommendations for funding from the PIR will be made to Council on 20 February 2008.
- 8.12 A priority-led approach has also been taken towards the initial consideration of savings options and some options were ruled out prior to the publication of the A, B and C lists due to their potentially adverse implications for the achievement of the Council's ambitions and priorities. In addition, Children's Services Department have identified a number of high-risk options (identified by an asterisk on the list attached at Appendix C) and they have asked that consideration be given to releasing funds from the PIR to mitigate these specific options.

9.0 RISK ASSESSMENT/ROBUSTNESS OF ESTIMATES

- 9.1 In line with the provisions of s25 of the Local Government Act 2003, the Director of Finance and E-Government is required to make a statement about the robustness of the estimates made for the purpose of setting the Council's budget.
- 9.2 In doing this, the Director must consider the risk that is inherent in the budget strategy and the extent to which these risks are mitigated or accommodated by the Council's planning and control mechanisms. This is done by examining four particular issues:
1. The degree to which the budget (and the Council's reserves) are linked to the risks facing the Council
 2. The level of risk implicit in the individual elements of the Council's budget
 3. Risks inherent in the budget strategy itself
 4. The strength of the Council's internal control framework

9.3 Corporate risks

- 9.3.1 The Council has a robust risk management process that determines, assesses, manages, monitors and reviews risks that are both cross-cutting (corporate) and departmental in nature. For the purposes of corporate budget setting and management it is felt appropriate to utilise the corporate risks, given that there are explicit links between departmental and corporate risks. Departmental risk assessments are used in the management of individual Department's budgets.
- 9.3.2 The table below sets out the main risks facing the Council, highlights the key actions that are in hand to mitigate the risks and assesses the impact on the budget and level of reserves (cross references are made to the table in paragraph 10.5):

Risk	Rank	Mitigation Action	Impact on Budget
Budget is unsustainable and inadequate to support the achievement of the Council's priorities and ambitions	M	Golden Rules to be adopted, priority-led budgeting process to be further developed through the Service Assessment Framework, budget monitoring processes to be strengthened by adopting risk based approach	Adequate provision must be made in balances to meet unforeseen expenditure, budget must reduce reliance on one-off options, budget must make provision for unavoidable pressures
ICT systems are inadequate to facilitate change agenda or to allow	L	New business systems being implemented,	Provision has been made within the ICT Reserve

the achievement of efficiency targets		business processes being re-engineered, ICT Strategy being refreshed	and Capital Programme to meet capital and implementation costs
Arrangements for workforce development do not support the provision of a 'fit for purpose' workforce	L	Workforce Development Plan to be implemented	No specific provision made in budget for implementing plan but expected that most implications will be on time and management focus rather than cash costs.
Performance levels reduce as measured by CPA/JAR/PI monitoring	M	Performance has been prioritised in line with corporate priorities, key PIs, CPA Action Plan. Monitoring process aligned to financial monitoring. Corrective action to be taken as needs identified through monitoring	Resources may need to be redirected if corrective action is required in specific areas. No specific provision needs to be made in the budget given the current direction of travel
Uncontrollable demands for social care out-strip the available resources and capacity	M	Performance prioritised and closely monitored, structure being reviewed along with budget apportionments and methods of service provision. Partnership opportunities being identified and explored; access criteria being reviewed together with procurement strategies	Budget provision has been made to address on-going service pressures and further provision will be made within balances to cover unfunded demand (see Unpredictable and Demand Led expenditure cushion).
Disaster management policies, practices and manuals are ineffective	M	Emergency Plan and emergency planning arrangements are being reviewed. Business Continuity Plan being developed, tested and communicated	Provision will be made within balances to meet unforeseen event (see Emergency Expenditure cushion)
Absenteeism levels are unacceptably high and lead to increased costs and/or reductions in performance and/or unacceptable demands on other employees	M	Sickness absence being reduced through effective management action	No provision required at this stage due to improved performance
Partnerships fail to operate effectively and/or governance arrangements are inadequate	L	Partnership arrangements being reviewed, Code of Corporate Governance being reviewed. Partnerships being set clear, agreed outcomes, targets and priorities	No provision required at this stage due to low risk and action that is being taken
Structures and/or resources within Children's Services mean that the service is unable to meet existing and/or future demands within existing risk parameters	L	Service reviews are underway, a Project Board monitors service and budgets in detail, additional resources have been made available to the service.	Additional resources totalling some £1.5m were made available to the Service in the 2006/07 Budget and provision will be made in balances to meet unavoidable costs (see

			Unpredictable and Demand Led expenditure cushion). Action taken to date has proved effective
Inadequate budgetary provision exists to address the level of backlog maintenance identified in the 2007 – 2010 Asset Management Plan	M	Maintenance needs have been identified, assessed and prioritised and a bid for capital resources has been made. Other actions are being considered, including reallocating existing revenue resources and rationalising the current asset base.	An annual provision of £0.6m has been included within the Capital Programme shown at Appendix B to this report.
The existing provision for Travellers is inadequate	L	Alternative sites for the location of the Travellers' site are being sought.	No provision required at this stage; discussions for external support are on-going.
The transfer of the Repair and Maintenance DLO to Six Town Housing has adverse financial effects	H	The transfer is being carefully project managed and the financial implications are being closely monitored at Member level.	Provision for the agreed parachute payment has been earmarked within the EDS budget.
The financial and HR implications of the Single Status agreement have an adverse impact on the Council's budget and performance	H	A thorough job evaluation and pay-to-points project has been undertaken. Outcomes will be the subject of full consultation, locally and nationally.	It is strongly recommended that provision be made from the PIR to cover on-going costs resulting from the pay and grading review.

9.3.3 A Member-level Corporate Risk Management Group has been established to monitor the risks set out in the table and to assess the effectiveness of the mitigation action that has been identified. Provision has been made in the draft Budget to address the risks set out in the table, or allowance has been made within balances to cover possible events that are out with of the Council's control.

9.4 Risk implicit in specific areas of the budget

9.4.1 As far as income to the Council is concerned there are a number of key sources including Formula Grant, Area Based Grant, ring-fenced grants, Council tax and fees and charges.

9.4.2 In respect of Formula Grant, the income stream is known and guaranteed for the coming year although there is no indication of resources for 2008/09 and future years.

9.4.3 Ring-fenced and other grants are properly allocated and accounted for in accordance with the relevant Government department rules and subject to rigorous external audit checking.

9.4.4 Council Tax collection is wholly within the control of the Council. The budgeted level of collection in 2008/09 has been retained at 98% which is realistic, based on past, current and projected performance. It also compares favourably with other metropolitan authorities.

- 9.4.5 One concern is that the Government has said it will cap authorities whose increase in Council Tax is greater than 5%. However Bury it is unlikely that Bury would be capped on this criteria (assuming that the Council Tax rise is no more than the 5% assumed in the draft budget).
- 9.4.6 Fees and charges (excluding Council House rents) are budgeted to raise some £35m of income in 2008/09 from almost a thousand sources. Of all the income sources this is the area where there is greatest risk of under achievement. To assess the risk it is necessary to understand how relevant income budgets are constructed, fee levels determined, how the charges are made, income collected and recovery procedures applied.
- 9.4.7 Although the budget, through the operation of the cash ceiling scheme, makes a universal assumption that income generated from fees and charges will increase by 3% compared to the previous income budget, the increase in actual fee charging levels, is more responsive and policy-led. As a result, depending on the current income being achieved, market conditions and the particular activity, fees can be increased by more or less than 3%.
- 9.4.8 This means that individual service managers, who understand their part of the business best, are able to advise Members in respect of charging regimes and, once the fees and charges are agreed, are accountable for their efficient collection. Any under achievement of an income budget has to be managed by the service in question through the operation of the cash ceiling scheme. This may mean reducing spending in related areas or even in other unrelated areas. All overspends at the end of a financial year are a first call on the following year unless agreed otherwise by the Executive.
- 9.4.9 The budget strategy once again assumes a level of income from the Airport dividend. The level assumed as income to the General Fund is about 70% of the likely amount forecast to be received, with the remainder being utilised within the Capital Programme and, with the improved shareholder governance arrangements, it is reasonable to assume that this level of dividend will be received. If not then the shortfall will be a call on the General Fund reserve. The Airport has declared a medium term dividend policy and it is reasonable to expect that the authority will receive budgeted levels of income.
- 9.4.10 In terms of expenditure budgets the single largest area of expenditure is on staff pay. For 2008/09 pay awards have yet to be settled and so the budget contains an assumption that awards will be at 2%. There is a considerable risk in this assumption, although it reflects the Chancellor of the Exchequer's view on pay settlements and is in line with provisions made by other authorities. In view of this risk the minimum level of balances contains provision equivalent to 0.5% on top of the 2% already provided for. This is felt to be reasonable in the light of the actual settlement for 2007/08 which was 2.475%
- 9.4.11 An allowance has been built into the budget to cover the cost of incremental drift but no provision has been made for the on-going cost of local job evaluation re-gradings awarded post-April 2005. It is felt that the risk inherent in this element of the budget is low but services have adopted a number of strategies to ensure any unbudgeted cost is covered including:
- Filling vacated posts at a lower incremental point than the staff member who has left
 - Delaying filling vacancies
 - Identifying savings in other budget areas

9.4.12 In all but those areas which are the smallest cost centres, or have the lowest turnover, these approaches have proved successful, but there is no doubt that progressively services have found it more challenging to cover the cost.

However there remains a considerable financial risk relating to the outcome of the pay and grading review required under the Single Status agreement. At present no allowance has been made for the on-going costs or the costs of protection. **It is strongly recommended that provision be made via the Priority Investment Reserve or it will be necessary to review the statement on the robustness of the estimates.**

9.4.13 The approach taken towards equal pay is set out in section 4.9 and it is felt that the strategy has minimised the potential impact on, and risk for, the Council's finances.

9.4.14 Staff accounts for 48% of the Council's expenditure budget and the next significant areas of budget, in descending order of significance are:

- Supplies, services transport and contract payments
- Housing and Council Tax benefits
- Debt charges
- Levies (PTA/Waste/Environment Agency)

9.4.15 Supplies and services etc. account for 33% of the gross budget and the majority of this is subject to contractual provision. These contracts provide for food, oil, building and highway materials, IT equipment, stationery and external residential accommodation for children, the elderly and people with learning disabilities. The Council has implemented a cash freeze on many of these budgets in the past and this has been a matter of concern although most of the areas covered are controllable and the controls have been managed in previous years. However, it has been decided not to recommend a repeat of this approach in 2008/09 although Departments have voluntarily adopted a freeze in certain areas, which is of less concern.

9.4.16 Whilst many contracts are fixed price, the Council is most vulnerable to variable price contracts and the one of most concern is energy. Whilst to a certain extent, increased prices can be contained within budget by reducing consumption, there is an element of risk from any inability to absorb highly inflated price increases. In view of the high rate of inflation within this area of the budget, and the resultant risk should the inflation provision be limited to the corporate rate of 2%, it has been deemed prudent to make full provision for energy at the market rate. Other areas where inflation is known to outstrip the 2% provision have also been allowed at the full projected rate.

9.4.17 The Council pays out around £30m in Housing and Council Tax benefits and over recent years expenditure has been at a reasonably consistent and predictable level. The risk factor of spending over budget is only likely to occur at times when unemployment increases through a general decline in the economy. The economy is stable at the present time and forecasts for unemployment are that it will be maintained at the current level. It is therefore considered that this budget is adequate.

9.4.18 The Council exercises sound Treasury Management practices and has a reasonable volatility ratio. Interest rate predictions are up-dated regularly and action taken to mitigate any negative effects, wherever possible. The present downward trend in interest rates was anticipated and both investments and borrowing has been locked-in long-term (as far as prudence allows) at optimal market rates, so minimising risk.

- 9.4.19 For levies the budget has been set at the level recommended to the external bodies by AGMA or as notified.
- 9.4.20 In the paragraphs above 99% of total expenditure has been covered. Of the remainder the areas of greatest risk in the budget are those that are subject to demand fluctuations.
- 9.4.21 Although the Council's financial procedure rules require that no expenditure is incurred without the identification of a budget there are some budgets where variable demand and cost make it extremely difficult for Services to manage within the resources that have been voted. Such budgets include independent school fees, learning support service, home care and the external placement of children.
- 9.4.22 The approach to managing the issues faced by the Children's Services and Adult Care Services budget has been changed in recent years with the relevant Star Chambers focussing on the current budgetary position and strategy, with the Project Boards concentrating on future developments that are aimed at reducing costs, managing risks and restructuring services and care packages. Managers are continuing to ensure that proper contractual arrangements are in place and that there is a full understanding of causes and the trends. Systems are being reviewed and replaced and training has been provided to non-financial managers within both service areas.
- 9.4.23 In recognition of the problems associated with managing such budgets provision has been made within the minimum balances calculation that is shown in the next section of the report. **However in view of the extent of the demands on the budgets for services for people with Learning and Physical Disabilities it is strongly recommended that additional provision be made via the Priority Investment Reserve.**

9.5 Risks inherent in the budget strategy

- 9.5.1 There are specific risks inherent in the budget strategy itself and these include:
- Savings targets may not be achieved
 - Budgets may overspend during the year as a result of unforeseen pressures
 - Assumptions may prove to be inaccurate
- 9.5.2 Given the robust nature of the budget strategy, in allowing for on-going demand pressures, and the strength of the budget monitoring process these risks are felt to be at a medium level for 2008/09. However it is important that even this level of risk is mitigated and provision has therefore been made within balances to cover these items.

9.6 System of Internal Control

- 9.6.1 The Council has adopted a Governance Statement that concluded that there are no weaknesses in the authority's overall control framework and the Audit Commission have commented favourably on the Framework. The Framework has been regularly reviewed, most recently by the Audit Committee on 11 December 2007, and no major changes have been identified.

9.7 Conclusion

- 9.7.1 In light of the above the Director of Finance and E-Government has made the following comment on the robustness of the estimates:

“There can be no guarantee that expenditure will be contained within each and every budget. The nature of the Council’s business means that varying demands will be faced during the year and under and over achievement will occur. However, the aim should be that the budget in total is sustainable and all indications are that this is the case. Estimates have been based on the best and latest information available and provision has been made within the minimum balances to meet unforeseen eventualities (see section 10 of this report). However uncertainty over the level of the pay award is of some concern, although suitable provision has been made within the minimum level of balances to cushion against the risk inherent in this assumption.

Close monitoring of the budget, together with responsive management action, will be necessary to ensure that income and expenditure remain within budget. However significant improvements have been seen in monitoring processes, particularly in terms of the speed and quality of information from the new Agresso system which went live on 1st April 2006. Further improvements are expected as the commitment accounting module continues to be rolled-out during 2008/09.

Service pressures have been identified by Directors and it will be necessary to evidence action that has been taken to mitigate any pressures that have not been funded. It will also be necessary to continue with the sound approach to risk management that the Council has adopted.

Finally, experience of past years has highlighted that a number of budgets face considerable pressure, particularly services for people with physical and learning Disabilities, out-of borough placements for children, leisure services, adult education and the Repair and Maintenance DSO. It is essential that Members support the work of the Project Boards and Star Chambers that are referred to elsewhere in this report and that Members and management continue to implement the measures that have so far been identified. It is difficult to assess the financial effect these will have and therefore the risk of overspendings remain, despite the additional resources that have been earmarked in the budget process.

It is also essential that provision be made within the budget for the potential cost of pay and grading reviews as this remains an on-going budgetary risk,.

In the light of the risk assessment, the details of the budget as set out in this report, the strength of the Council’s Internal Control framework and the risk based provision made in the minimum level of General Fund balances, and on the assumption that the costs of pay and grading reviews are funded then I (as the Director of Finance and E-Government) can state that **the budget for 2008/09 is robust**. This statement is in compliance with s25 of the Local Government Act 2003.”

10.0 ADEQUACY OF RESERVES

- 10.1 Under the terms of Part 2 of the Local Government Act 2003, when setting the Council Tax the authority’s s151 officer (in Bury’s case the Director of Finance and E-Government) is required to report on the adequacy of the authority’s financial reserves. The Director must determine a minimum level reserves and then report on the likely balance on that reserve at the end of the year for which the Council Tax is being set and at the end of the preceding financial year.
- 10.2 Reserves can be described as amounts that are set aside to meet unexpected changes in the budget and to finance occurrences that cannot be predicted. They

usually result from events that have allowed sums to be set aside, surpluses to be made, windfall gains or decisions that have caused anticipated expenditure to be postponed. Reserves of this nature can either be spent or earmarked at the discretion of the Council.

10.3 A minimum level of reserves is required to mitigate the effects of such things as:

- Disasters
- Fluctuations in demand
- Changes in inflation
- Unforeseen movements in interest rates

10.4 There is no statutory definition of a minimum level of reserves and it is for this reason that the matter is left to the judgement of the s151 officer. In coming to a judgement on this matter the s151 officer needs to take into account matters such as:

- Risks inherent in the budget strategy
- Risk management policies and strategies
- Past financial performance i.e. does the authority have a history of containing spending within budget?
- Current budget projections
- The robustness of estimates contained within the budget
- The adequacy of financial controls and budget monitoring procedures

10.5 The table below gives an assessment of the major issues which should be taken into account in determining the minimum level of balances:

	Risk	£000
Pay inflation Cushion: Pay awards have not been set for 2008/09 and so there must be considerable uncertainty about the extent to which the budget provision will meet the actual costs. Therefore a significant provision must be made within reserves for a pay award cushion in 2008/09.	H	600
Non-Pay inflation Cushion: Should inflation suddenly rise after the budget has been set, this contingency assumes a 0.5% increase in inflation on non-discretionary items and that discretionary items will be kept within budget.	M	150
Interest Cushion: Given the fact that the authority has implemented a prudent treasury management strategy and locked in borrowing and investments then this risk is felt to be minimal.	M	50
Uncertainty of Income Cushion: Adequate provisions are made for bad debts, however, in the past some income budgets have not been achieved and therefore it is prudent to provide a contingency for all non grant income.	H	150
Unpredictable and Demand Led Expenditure Cushion: The Council's budgets have had to be kept to a minimum level for a number of years. As a result, the flexibility to compensate for overspends, by reducing spending in other areas is limited. This contingency is based upon 2.5% of all "demand led" expenditure largely in the areas of Children's and Adult Care Services.	M	1,800
Budget Strategy Risk Cushion: There is always likely to be a level of uncertainty around the authority's ability to achieve savings options and this contingency is based around 10% of the on-going savings options.	H	500
There are particular risks around the fact that no contribution has been made to provisions and so allowance must be made for unforeseen contingencies	M	100

Emergency Expenditure Cushion: Provision must be made for the cost of emergencies that by their very nature cannot be predicted and for any uninsured losses. The Government's "Bellwin Scheme" partially protects authorities from catastrophic costs of some emergencies, but costs up to the threshold of the Bellwin Scheme will still need to be covered by reserves:		
The Government will pay 85% of any disaster costs above the threshold. This contingency provides for the Council's contribution, assuming a major disaster costing £3.0m.	M	400
Contingency for smaller emergencies e.g. floods, highway collapse.	M	400
TOTAL		4,150

- 10.6 The above table makes provision to address the corporate risks identified in section 9.3 and the other risks inherent in the budget strategy. It is not expected that all of these possibilities would occur at one time and therefore the total can be reduced to reflect risk as shown in the table below:

	Risk Level	Likelihood	Provision £000	Max. Impact £000
Pay inflation cushion	H	100%	600	600
Non-pay inflation cushion	M	80%	150	120
Interest cushion	M	80%	50	40
Uncertainty of income	H	100%	150	150
Demand led expenditure cushion	M	80%	1,800	1,440
Budget strategy cushion – savings	H	100%	500	500
Budget strategy cushion – provisions	M	80%	100	80
Emergency expenditure cushion	M	80%	800	640
			4,150	3,570

This would set the minimum balance requirement for 2008/09 at **£3.570m**. The calculation made under the Golden Rules would lead to a minimum level of balances of **£3.313m** and it is recommended that Members agree to set the **minimum** level of balances at the higher level of **£3.600m** (rounded), an increase of £0.2m on the figure of £3.400m agreed for the 2007/08 budget.

- 10.7 The forecast position on the General Fund balance at 31st March 2008 is shown in the following table:

	£m
General Fund Balance 1 April 2007	5.948
Less: Amount used to fund 2007/08 pay award	-0.450
Less: Forecast overspend 2007/08	-0.233
Forecast level of General Fund balance 31 March 2008	5.265
Less: Minimum to be retained	3.600
Available balances at 31st March 2008	1.665

- 10.8 Members are reminded that whilst reserves above the minimum level can be released to support expenditure or reduce taxation they can only be used once. Reserves are most effective when used to support one-off items of expenditure; they should not be used to support on-going expenditure levels and if they are, then Members are strongly advised to consider the implications for future years' budgets.
- 10.9 Of course Members are also reminded that there is an opportunity cost to maintaining balances. Whilst on the one hand the money retained will be available for investment (and at £3.6m, the balances will earn £175,000 in 2008/09 as part of

the overall Treasury Management strategy), this is money tied up that could otherwise be invested into services or reducing the Council Tax (every £1m in balances equates to 1.6% off the necessary increase in Council Tax, on a one-off basis). However, utilising balances in this way would be contrary to the Golden Rules.

- 10.10 Finally, in terms of the authority's financial standing it is worth remembering that the General Fund balance is not the only available reserve. The ICT Reserve, whilst rightly held for the purpose of modernizing the authority's ICT infrastructure, is available should circumstances dictate and all or any part of the uncommitted balance can be transferred into the General Fund by a resolution of Council.

11.0 CONSULTATION PROCESS

- 11.1 Once again a wide ranging budget consultation exercise has been held to seek the view of residents, staff, school Governors, partners and employees. This involved presentations being undertaken at meetings of the six Local Area Partnerships, a public Budget Consultation Conference which took place at the Town Hall on 14 February 2008, the use of a dedicated e-mail address for consultation responses and an on-line and paper questionnaire.
- 11.2 For the first time the Council also made use of the Team Bury Community Voice, a consultation panel comprising a representative cross-section of Bury residents. Panel members were asked a number of questions around satisfaction with local public services, they were asked to highlight and rank issues that were important to them in delivering Team Bury ambitions and make specific comments about things that mattered to them. In addition, a Finance Focus Group comprising a small number of Community Voice members met to consider financial matters affecting them and Team Bury.
- 11.3 Responses received will be summarised and circulated to Members prior to the special Council meeting. In coming to decisions on the budget for 2008/09 Members are asked to give due consideration to the findings of the consultation exercise.

12.0 FUTURE YEARS

- 12.1 A draft 3-year budget forecast is shown below setting out the likely budget position in 2009/10 and 2010/11 reflecting the final two years of the three year Settlement:

	2008/09 £m	2009/10 £m	2010/11 £m
Opening budget	124.4	133.4	138.5
Add:			
One-off options used	1.0	0.0	0.0
Pay Inflation	2.5	2.5	2.5
Prices	4.3	4.4	4.5
Income	-2.1	-2.3	-2.3
Pensions/increments	1.1	1.2	1.3
Cost of borrowing	0.9	1.0	1.0
Revenue Costs of Capital	0.3	0.1	0.1
Grant tapers	3.2	0.0	0.0
Other cost changes	0.6	0.5	0.5
	136.2	140.8	146.1
Funding available:			
Formula Grant	-63.1	-64.7	-66.1
Council Tax (assuming 5% rise)	-70.2	-73.7	-77.4
Collection Fund	-0.1	-0.1	-0.1

	-133.4	-138.5	-143.6
DEFICIT	2.8	2.3	2.5
Add:			
Cashable Gershon savings if re-invested into priorities	2.4	2.0	2.1
TOTAL SAVINGS REQUIRED	5.2	4.3	4.6

The table assumes an annual increase in the Council Tax of 5% (as an initial assumption) together with increases in pay inflation of 2.0% in 2009/10 and 2010/11; non-pay inflation of 2% in both years; and income rises of 3% in both years. It also assumes that the contribution to the Priority Investment Reserve will increase annually in line with inflation.

- 12.2 The Financial Strategy, covering the coming 3 years, will continue to be refined, making more explicit links to other Council strategies and plans and making stronger links to the authority's risk management framework. The authority's priority-led approach to resource allocation will continue to be strengthened, involving a process for prioritising services and linking future resource allocation to community, corporate and service policies and priorities. This work will be heavily influenced by the authority's Service Assessment Framework.
- 12.3 Once the 2008/09 budget has been finalised the savings targets for the coming two years will be up-dated and Directors will be asked to prepare a medium-term savings plan aimed at meeting the revised targets.
- 12.4 Individual services will continue to develop their Medium-Term Financial Strategies and these will show clearly how savings are to be implemented and unfunded demand pressures addressed within existing resources.
- 12.5 At the same time, a Long-Term Financial Strategy will be developed in conjunction with our major public sector partners setting out options for delivering the Council's long-term ambitions.
- 12.6 It is intended that the results of all of this work will be presented to Members at the Forward Planning Event in July 2008.
- 12.7 Finally, budget monitoring processes will continue to be strengthened wherever possible through the development of commitment accounting facilities within the new Agresso system and by developing even stronger links between the reporting of financial and performance information. In addition the Risk Strategy will continue to have budgetary control as its primary concern.
- 12.8 However, whatever processes are put in place, it is clear that in the coming months and years Members are likely to be faced with difficult choices if the budget is to remain on a sound, priority-led and sustainable footing.

COUNCILLOR PETER REDSTONE
EXECUTIVE MEMBER FOR RESOURCE AND PERFORMANCE

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GLOSSARY OF TERMS

Area Based Grant

A single grant which pools 37 individual specific grants in to one non ring-fenced pool

Budget requirement

This is the amount each authority estimates as its planned spending, after deducting any funding from reserves and any income it expects to raise (other than from the Council Tax and general funding from the Government i.e. Formula Grant and sometimes in the past, certain special grants). The budget requirement is set before the beginning of the financial year.

Business rates

These rates, called National Non-Domestic Rates, are the means by which local businesses contribute to the cost of providing local authority services. Business rates are paid into a central pool. The pool is then divided between all authorities.

Capping

When the Government limits an authority's budget requirement, and hence the Council Tax it sets.

Council Tax

A local tax on domestic property set by local authorities in order to meet their budget requirement.

Council Tax base

The Council Tax base of an area is equal to the number of band D equivalent properties. To work this out, the Government counts the number of properties in each band and works out an equivalent number of band D properties. For example, one band H property is equivalent to two band D properties, because it pays twice as much tax. The amount of revenue which could be raised by Council Tax in an area is calculated allowing for discounts and exemptions but, for the purpose of the Formula Grant calculation, assuming that everyone pays. How this is calculated is set out in Annex C to the Local Government Finance Report.

Council Tax bands

There are eight Council Tax bands. How much Council Tax each household pays depends on the value of their home.

Council Tax discounts and exemptions

Discounts are available to people who live alone and owners of homes that are not anyone's main home. Council Tax is not charged for certain properties, known as exempt properties, such as those lived in only by students. The Council can also approve reductions for certain classes of taxpayer e.g. people aged over 65.

Formula Grant

Comprises Revenue Support Grant, redistributed business rates, and (for relevant authorities) principal formula Police Grant.

The Local Government Finance Settlement

The Local Government Finance Settlement is the annual determination of formula grant distribution as made by the Government and debated by Parliament. It includes:

- the totals of formula grant;
- how that grant will be distributed between local authorities; and
- the support given to certain other local government bodies.

Net Revenue Expenditure (NRE)

This represents an authority's budget requirement and use of reserves.

Non-Domestic Rates

See business rates.

Reserves

This is a council's accumulated surplus income (in excess of expenditure) which can be used to finance future spending.

Revenue Expenditure

Expenditure financed by formula grants, council tax and use of reserves.

Revenue Support Grant (RSG)

The cash amount that the Government pays towards the general cost of Council services. The RSG is used to offset our general costs and this keeps down the level of the Council Tax.

Ring-fenced grant

A grant paid to local authorities which has conditions attached to it, which restrict the purposes for which it may be spent.

Specific Grants

Targeted or ring-fenced grants are sometimes referred to as specific grants.

Targeted grant

A grant which is distributed outside the general formula, but has no conditions attached.