AGENDA FOR

OVERVIEW AND SCRUTINY COMMITTEE

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To: All Members of Overview and Scrutiny Committee

Councillors : D Bailey, S Briggs, D Cassidy, J Daly, I Gartside (Chair), M Hankey, T Holt, M James, O'Brien, N Parnell, Preston and T Tariq

Dear Member/Colleague

Overview and Scrutiny Committee

You are invited to attend a meeting of the Overview and Scrutiny Committee which will be held as follows:-

Date:	Thursday, 11 February 2016
Place:	Peel Room - Elizabethan Suite - Town Hall
Time:	7.00 pm
Briefing Facilities:	If Opposition Members and Co-opted Members require briefing on any particular item on the Agenda, the appropriate Director/Senior Officer originating the related report should be contacted.
Notes:	

AGENDA

1 APOLOGIES

2 DECLARATIONS OF INTEREST

Members of the Overview and Scrutiny Committee are asked to consider whether they have an interest in any matters on the agenda and, if so, to formally declare that interest.

3 PUBLIC QUESTION TIME

A period of 30 minutes has been set aside for members of the public to ask questions on matters considered at the last meeting and set out in the minutes or on the agenda for tonight's meeting.

4 MINUTES *(Pages 1 - 4)*

Minutes of the last meeting, held on 12 January 2016 are attached.

5 CORPORATE FINANCIAL MONITORING REPORT APRIL 2015 TO DECEMBER 2015 *(Pages 5 - 36)*

A report from the Deputy Leader and Cabinet Member for Finance and Housing is attached.

6 DRAFT REVENUE BUDGET 2016/17 *(Pages 37 - 118)*

A report from the Deputy Leader and Cabinet Member for Finance and Housing is attached.

Appendix 5 will be sent to follow.

7 DRAFT HOUSING REVENUE ACCOUNT 2016/17 *(Pages 119 - 140)*

A report from the Deputy Leader and Cabinet Member for Finance and Housing is attached.

8 TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2016/17 *(Pages 141 - 162)*

A report from the Deputy Leader and Cabinet Member for Finance and Housing is attached.

9 URGENT BUSINESS

Any other business which by reason of special circumstances the Chair agrees may be considered as a matter of urgency.

Minutes of: **OVERVIEW AND SCRUTINY COMMITTEE**

Date of Meeting: 12 January 2016

Present: Councillor I Gartside (in the Chair);
Councillors K S Briggs; D Cassidy; J Daly; T Holt; M Hankey; M James; E O'Brien; N Parnell; C Preston and T Tariq.

Public in attendance: No members of the public were present at the meeting.

Also in attendance: Councillor Shori– Deputy Leader and Cabinet Member for Finance and Housing.

Councillor Heneghan – Cabinet Member for Children, Families and Culture

Apologies for absence:

OSC.615 DECLARATIONS OF INTEREST

Councillor O'Brien declared a personal and prejudicial interest in Minute number OSC.619 Bury Children's Centres and Minute number OSC.620 Bury Sculpture Centre as the issues fall within his portfolio as Deputy Cabinet Member for Children, Families and Culture. Councillor O'Brien took no part in the questioning or discussions relating to these items.

Councillors Holt and Tariq declared personal interests in relation to Minute OSC.619 Bury Children's Centres as Board Members at the Little Oaks Children's Centre.

OSC.616 MINUTES

It was agreed:

That the Minutes of the meeting, held on 2 December 2015, be agreed as a correct record.

OSC.617 PUBLIC QUESTION TIME

There were no members of the public present to ask questions under this item.

OSC.618 TREASURY MANAGEMENT MID-YEAR REVIEW

The Deputy Leader and Cabinet Member for Finance and Housing submitted a report providing a Mid-Year review of Treasury Management.

The report has been prepared in compliance with CIPFA's Code of Practice, and covered the following:

- An economic update for the 2015/16 financial year to 30 September 2015;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure (prudential indicators);
- A review of the Council's investment portfolio for 2015/16;
- A review of the Council's borrowing strategy for 2015/16;
- A review of any debt rescheduling undertaken during 2015/16;
- A review of compliance with Treasury and Prudential Limits for 2015/16;
- A review of the Council's MRP (Minimum Revenue Provision) Policy.

It was agreed:

That the report be noted.

OSC.619 BURY CHILDREN'S CENTRES - UPDATE ON IMPLEMENTATION OF NEW MODEL

Further to Minute OSC.69 of the meeting of this Committee held on 9 June 2016, Sue Reynolds, Head of Early Years and Early Help, submitted a report concerning the new delivery model of Children's Centres in the Borough. The model commenced implementation in April 2015 following a detailed consultation process. The main aims of the new model were as follows:;

- Improving the health of U5's
- Improving U'5's school readiness
- Supporting parenting and family support
- Promoting the economic prospects of families

The report set out information relating to the following areas:

- Current Provision
- The Implementation Action Plan
- Staffing Structures
- Take up of 2 year old provision
- Hub/Spoke Delivery Specification
- Early Help Outreach Service
- Maintenance of Buildings
- Review of Governance Arrangements
- Redvales Children's Centre
- Challenges/Opportunities Going Forward

Questions and comments were invited from the Committee and the following issues were raised:

- In response to a question from the Chair, Councillor Gartside, the Cabinet Member for Children, Families and Culture acknowledged some slippage in the timescale for the delivery of places for 2 year olds. It was explained that this could partly be explained by the need for some capital funding being required for some areas of provision that require premises to be adapted.

- Members of the Committee discussed how future proof the model was going forward. The Cabinet Member explained that services would always depend on funding levels but highlighted the potential of the Hubs to develop as community venues.

It was agreed:

That the update be noted.

OSC.620 BURY SCULPTURE CENTRE

Tony Trehy, Head of Arts, Museums and Tourism, submitted a report setting out an update in respect of the Centre since its opening in May 2014. The Bury Sculpture Centre was conceived as a cultural use for the Bury Library space vacated by changes in that Service. While it was given the separate identity of the Sculpture Centre, with its rationale drawn from Bury's long term development of the Irwell Sculpture Trail, operationally, its identity is primarily a marketing tool. It operates entirely as an extension of the Art Museum spaces. All functions of staffing, programming, utilities/building operations are integrated with the existing Service arrangements for the Arts in Bury.

The physical changes to the library space were primarily reinstatement of architectural features especially the floor, decoration, gallery lighting and extension of security systems. This cost £75,000 from the Council's capital programme and £26,000 from the Arts Council.

A Business Plan was prepared as part of the Arts Council bidding process and this can be made available to members on request, but the reality of operating the Centre means most sections of it are now out of date.

The report set out information in respect of the programme of exhibitions; finance; social media activity; and visitor numbers.

Questions and comments were invited from the Committee and the following issues were raised:

- In response to a question concerning visitor numbers, the Head of Arts, Museums and Tourism explained it was difficult to give a breakdown between the Art Gallery and Sculpture Centre as a result of the numerous entrances to the building.

- With regard to the cost of the initial exhibitions held it was explained that the only overspend related to the Contemporary Finnish Art, which was primarily due to a timing issue which resulted in a guest curator having to be used.

- In response to a question relating to income generation, the Cabinet Member for Children, Families and Culture explained that it was difficult to quantify as the Centre was part of the overall cultural offer of the town centre. Operationally the centre only employs 4 front of house staff and has been successful in attracting international and external funding.

- Councillors James, Briggs and Holt highlighted the international acclaim attributed to the centre and acknowledged it was still a relatively new facility in terms of income generation.

- In response to a question concerning the measure of performance for the Sculpture Centre, the Head of Arts, Museums and Tourism explained that performance indicators were being developed.

- In respect of visitor survey responses, the Head of Arts, Museums and Tourism acknowledged the relatively low number of responses. It was explained that plans to have touch screens for surveys were not practicable at the moment due to cost.

- With regard to the planned exhibitions planned for 2016 it was confirmed that funding was largely in place . In response to a question from Councillor Gartside, the Head of Arts, Museums and Tourism confirmed that the only exhibition which would not be funded could be the Jake Dyer exhibition which could be a maximum cost of £10k. It was reported that should this be the case the cost would be managed within the overall budget.

COUNCILLOR I B GARTSIDE
Chair

(Note: The meeting started at 7pm and ended at 8.45pm)

NOTICE OF KEY DECISION

Bury COUNCIL

Agenda Item	

MEETING:	**OVERVIEW & SCRUTINY COMMITTEE** **CABINET**
DATE:	**11 FEBRUARY, 2016** **24 FEBRUARY, 2016**
SUBJECT:	**CORPORATE FINANCIAL MONITORING REPORT – APRIL TO DECEMBER 2015**
REPORT FROM:	**DEPUTY LEADER OF THE COUNCIL AND CABINET MEMBER FOR FINANCE AND HOUSING**
CONTACT OFFICER:	**STEVE KENYON, INTERIM EXECUTIVE DIRECTOR OF RESOURCES & REGULATION**

TYPE OF DECISION:	**CABINET (KEY DECISION)**
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain

SUMMARY:	The report informs Members of the Council's financial position for the period April to December 2015 and projects the estimated outturn at the end of 2015/16. The report also includes Prudential Indicators in accordance with CIPFA's Prudential Code.
OPTIONS & RECOMMENDED OPTION	Members are asked to note the financial position of the Council as at 31 December 2015 and to approve the s151 officer's assessment of the minimum level of balances.

IMPLICATIONS:

Corporate Aims/Policy Framework:	Do the proposals accord with Policy Framework? Yes.
Statement by the s151 Officer:	The report has been prepared in accordance with all relevant Codes of Practice. There may be risks arising from remedial action taken to address the budget position;

these will be identified by Directors at the quarterly Star Chamber meetings.

Statement by Interim Executive Director of Resources & Regulation:

Successful budget monitoring provides early warning of potential major overspends or underspends against budgets which Members need to be aware of.

This report draws attention to the fact that, based on the most prudent of forecasts, several budget hotspots exist which will need remedial action.

Members and officers examine these areas in more detail at the Star Chambers.

This report is particularly significant as it informs Members of the baseline financial position from which the Council sets its 2016/17 budget.

Equality/Diversity implications: No

Considered by Monitoring Officer: Budget monitoring falls within the appropriate statutory duties and powers and is a requirement of the Council's Financial Regulations to which Financial Regulation B: Financial Planning 4.3. (Budget Monitoring and Control) relates. The report has been prepared in accordance with all relevant Codes of Practice.

Are there any legal implications? Yes

Wards Affected: All

Scrutiny Interest: Overview & Scrutiny Committee

TRACKING/PROCESS **EXECUTIVE DIRECTOR: Steve Kenyon**

Chief Executive/ Strategic Leadership Team	Cabinet	Overview & Scrutiny Committee	Council	Ward Members	Partners
01/02/16	**24/02/16**	**11/02/16**			

1.0 INTRODUCTION

1.1 This report informs Members of the forecast outturn for 2015/16 based upon current spend for the period 1 April 2015 to 31 December 2015 in respect of the revenue budget, capital budget and the Housing Revenue Account.

1.2 Projections are based on current trends, information, and professional judgement from service managers and finance staff.

1.3 The revenue budget projections highlight the fact that budget pressures do still exist in some key areas and it will be necessary to continue to examine options for improving the situation further.

2.0 BUDGET MONITORING PROCESSES

2.1 Reports continue to be presented quarterly to facilitate close monitoring of spend and implementation of action plans during the year.

2.2 Reports are also presented to the Strategic Leadership Team on a monthly basis and detailed monitoring information is also discussed at Star Chamber meetings during the year.

2.3 It is intended that improvements will continue to be made to the budget monitoring process, building on the significant developments implemented over the past few years.

3.0 SUMMARY OF REVENUE BUDGET POSITION

3.1 The table below outlines the annual budget and forecast outturn based upon known factors and the professional views of service managers as at month 9:

Department	Budget £000	Forecast £000	Variance £000
Communities & Wellbeing	65,747	66,152	**+405**
Resources & Regulation	2,633	3,263	**+630**
Children, Young People & Culture	34,826	35,345	**+519**
Non Service Specific	30,488	29,538	**(950)**
TOTAL	**133,694**	**134,298**	**+604**

3.2 The projected overspend of **£0.604m** represents approximately **0.45%** of the total net budget of £133.694m.

3.3 Members need to be aware that financial reporting involves an element of judgement, and this particularly applies to the treatment of budget pressures. Often an area of overspending identified at this point in the year will still resolve itself before the end of the year following appropriate remedial action.

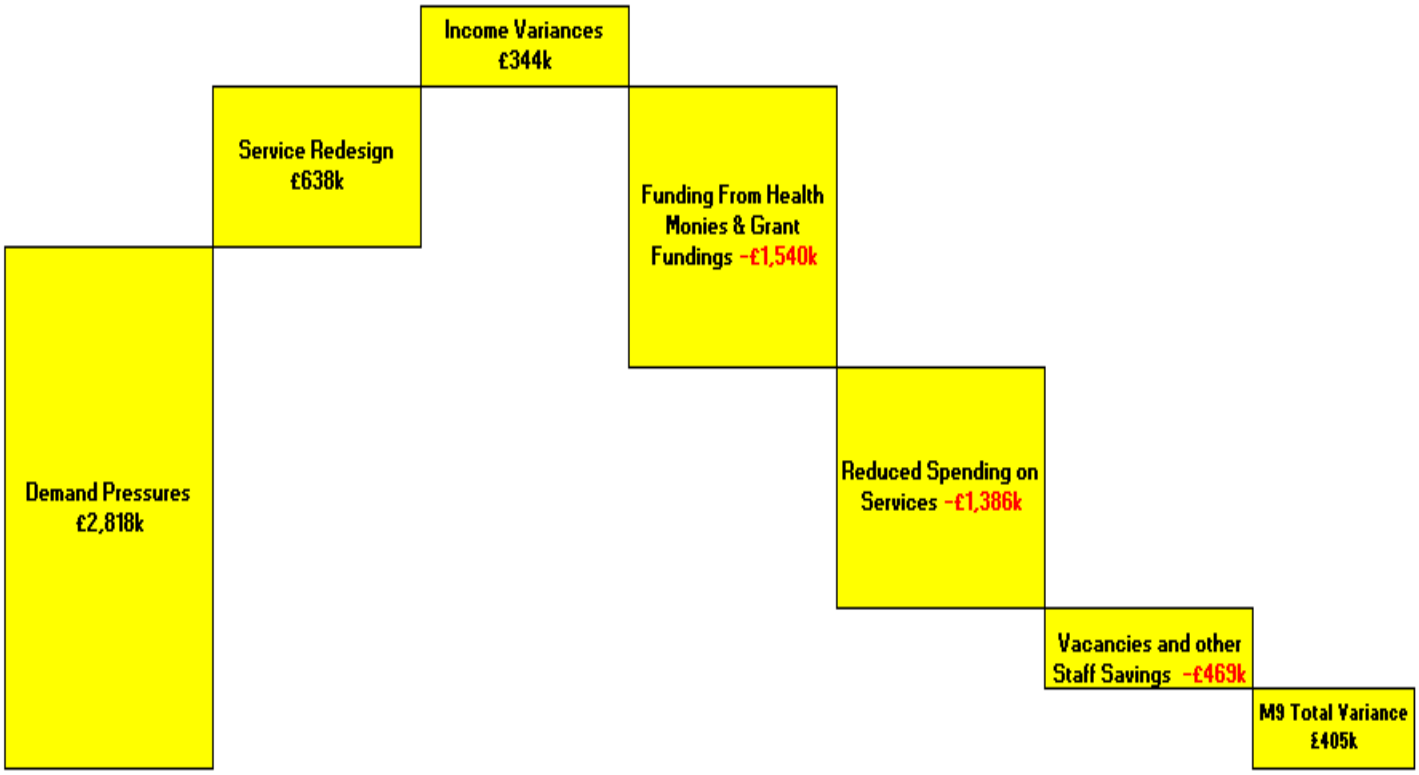
3.4 However it is felt appropriate to alert Members to potential problems at this stage so that they can monitor the situation and take ownership of the necessary remedial action and this is the basis on which the report is written.

4.0 SERVICE SPECIFIC FINANCIAL MONITORING

4.1 COMMUNITIES AND WELLBEING

4.1.1 The current projected overspend for Communities and Wellbeing is **£0.405m**, which is 0.61% of the Department's net budget of £65.747m

4.1.2 Reasons for major variations are illustrated in the chart overleaf;



4.1.3 Further details by service area are outlined below, along with remedial action being taken.

Theme	Variance £'000	Reason	Action Being Taken
Demand Pressures	+2,818	Care in the Community budgets particularly around Domiciliary Care, Residential Care and Self Directed Support Budgets – £2,458k.	A range of preventative strategies continue to be introduced to manage this demand, such as reablement, triage, improved screening, 'signposting', and crisis response as well as a programme of training for front line staff around efficient support package planning. In addition, all existing high & medium cost care packages are kept under regular review.
		Strategic Safeguarding Team - £200k - (Reason - deprivation of Liberty Safeguard Pressure).	The supreme court judgement of P v Cheshire West & Chester Council and P&Q v Surrey County Council has resulted in making many more people eligible for DoLS resulting in a severely increased caseload for the team. The £200k overspend may be offset by underspending budgets elsewhere within the department which would have previously been offset against the care in community budget.
		Quality Assurance & Service Development - £66k - (Reason - employee budget overspend).	The intention is to manage this overspend towards a balanced budget by financial year end.
		Carelink - £4k.	Although not material in value the intention is to manage this overspend towards a balanced budget by financial year end.
		Home Improvement Grant - £5k.	Although not material in value the intention is to manage this overspend towards a balanced budget by financial year end.
		Grounds Maintenance - £50k	Prudent spending is to be exercised on all discretionary budgets.

		Parks - £18k - (Reason - spending pressures on Health & Safety Work, rates and metered water supply). Recycling - £17k – (Reason - various under and overspends across the service).	Prudent spending is to be exercised on all discretionary budgets. Offset by savings from the awareness budget.
Service Redesign	+638	Note: A number of budgets have yet to achieve savings targets against specific schemes; as a consequence this is partly/wholly the reason for the overspends below: Sheltered Housing General - £101k Urban Renewal Holding Account - £45k Non Operational Assets - £114k Reablement Service – £113k - Killelea House Residential care Home - £215k - (Reason– staffing cost pressures). Beverage, Cafes & Vending - £50k - (Reason - difficulty in meeting beverage service/café income target).	An action plan is being developed by senior management for each of the service areas, ensuring the savings targets are achieved. An action plan is being developed by senior management for each of the service areas, ensuring the savings targets are achieved. It is anticipated that this pressure will be addressed by year end. This service is currently undergoing a review /restructure. This service is currently undergoing a review /restructure. Service review has been undertaken and restructure /actions identified to reduce costs.

Income variances	+344	Accommodation Team – (£100k) – (Reason – one-off income).	Receipt of 'One Off' income regarding accommodation of asylum seekers.
		Housing Choices – £154k - (Reason - shortfall in income expectations).	An income recovery action plan is being developed by senior management team.
		Integrated Community Equipment Service (ICES) – (£71k) - (Reason – new contract with Pennine care has generated additional income).	Historically this service experienced financial pressure in areas such as equipment, adaptations and mattresses, however a new contract with Pennine care has relieved the demand pressures longstanding that the ICES service previously experienced.
		Bury Employment Support & Training (BEST) – (£22k).	The expectation is that further income can be generated from increased activity.
		Assessment & Care Management Staff – (£46k).	The forecast outturn for this budget area has reduced largely as a result of receiving a one-off contribution from Public Health, however, this service remains under pressure as a consequence of safeguarding and DOLS.
		Workforce Development – (£40k) - (Reason - largely the result of Homes for Older People income budget forecast to exceed budget provision.	The possibility is that further income can be generated from increased activity, but these services have now become part of the LATCo (Persona).
		Internal Recruitment Agency (Bury ACES) – (£5k).	Income forecast exceeding budget provision.
		Civic Halls - £124k - (Reason - difficulties in achieving income targets).	Approval has been given to appoint a Marketing Events Officer to promote the service, and a restructure has taken place following the proposed closure of Radcliffe Civic Hall, which will contribute to reducing the deficit along with further development of the growth & implementation plan.
		Leisure - £275k - (Reason - income not meeting targets).	Further development of the growth & implementation plan is required, spending restrictions are in place.

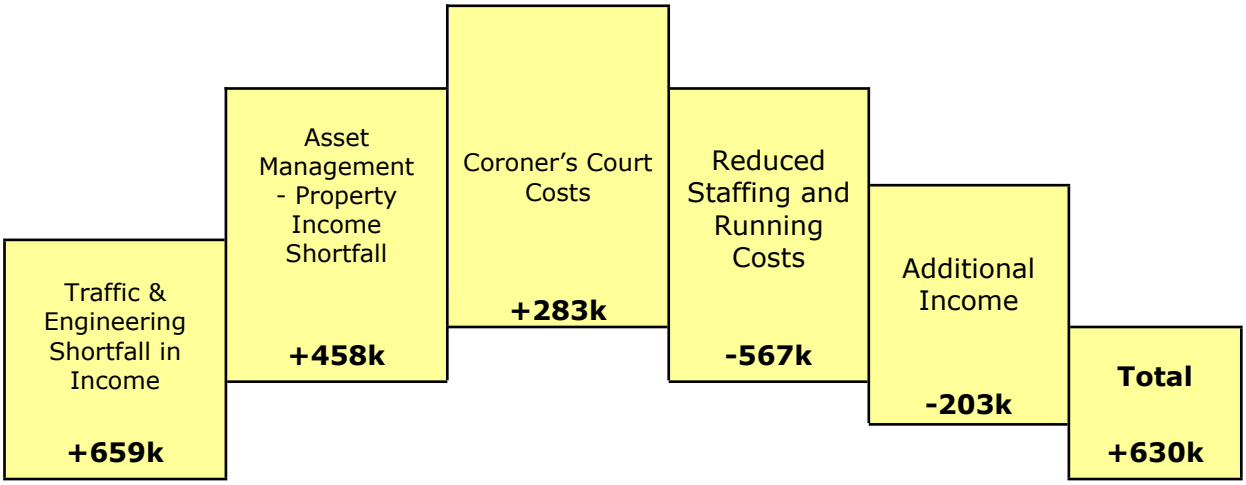
		Transport Services - (£24k) - (Reason - income forecast to exceed budget). Trade Waste - £99k - (Reason - shortfall on trade waste income due to reduced pricing, increased recycling requires additional bins).	Will be used to offset other overspends. Although the service is profitable it has a challenging income target, but is looking at increasing income by targeting business.
Reduced Spend on Services	-1,386	Carers services budget – (£196k) - (Reason - underspending on Carers personal budgets). Finance – (£753k) (Reason – carers and Care Act Implementation Grant not expected to be spent in full). Older People Fieldwork Team – (£110k) - (Reason - result of action to meet savings target). Mental Health service – (£143k) - (Reason - result of action to meet savings target). Day Centres for under 65s – (£42k) - (Reason - transport costs within service reduced / small salary savings). HR Staff & Training Budget – (£45k) - (Reason - training budget not expected to be spent in full and staffing underspend. Air Monitoring (£8k) - (Reason - renewed contract with GMAQU). Dog Wardens (£16k) - (Reason - reduced number of stray dogs and renegotiated contracts). Public Conveniences & Street Cleaning (£57k) - (Reason - underspend on maintenance due to a reduction in the number of PC). Highways Network Services (£16k) - (Reason - reduced spend on transport due to re-allocation of transport recharges based on more realistic costs).	Forecast underspends may be used to offset pressure within other areas of adult care service budgets.

Vacancies and Other Staff Savings	-469	Strategic Commissioning, Commissioning & Procurement – (£172k) - (Reason – staff vacancies). Sheltered Housing Support, Sheltered Amenity, Policy and Improvement & Customer Engagement – (£152k) - (Reason – staff vacancies). Finance – (£58k) - (Reason – staff vacancies). Older Peoples Day Care – (£16k) - (Reason – staffing vacancies). Shared Lives – (5k). Park Rangers – (£25k) - (Reason – staffing vacancies). Environmental Health - (5k) – (Reason - savings from reduced mileage claims). Vehicle Workshop – (£14k) – (Reason - staff vacancies). Refuse Collection/Awareness Team – (£22k) – (Reason - staff vacancies).	Forecast underspends may be used to offset pressure within other areas of adult care service budgets. Forecast underspends will be used to offset overspends within Parks & Countryside. Forecast underspends may be used to offset pressure within other areas. Forecast underspends may be used to offset pressure within other areas. Forecast underspend to be used to offset overspend on recycling.
Funding from Health Monies & Grant Funding	-1,540	Funding to support the demand pressures of the Care in the Community budgets - (£1,540k).	This relates to the utilisation of historic underspends from Adult Care Specific Grants and a contribution of the Health monies towards the demand pressures within Community Care.
	+405		

4.2 RESOURCES AND REGULATION

4.2.1 The Resources & Regulation Department is forecasting an overall overspend of **£0.630m**, or 23.9% of a net budget of £2.633m.

4.2.2 Reasons for major variations are illustrated in the chart below;



4.2.3 Reasons for major variations are illustrated in the table below;

Activity	Variance £'000	Reason	Action Being Taken
Traffic & Engineering	+659	Estimated shortfalls in income relating to on and off-street parking and parking fines (£322k), Greater Manchester Road Activities Permit Scheme (GMRAPS) (£106k), coring (£70k), bus lane enforcement (£54k) plus one off restructure severance payments (£125,000) offset by increased income from Council parking permits (£18k).	Monitor income levels, adjust expenditure and targets where possible and review staff resources allocated to GMRAPS. Severance pay and management restructure delayed savings are one-offs to achieve planned savings longer term.

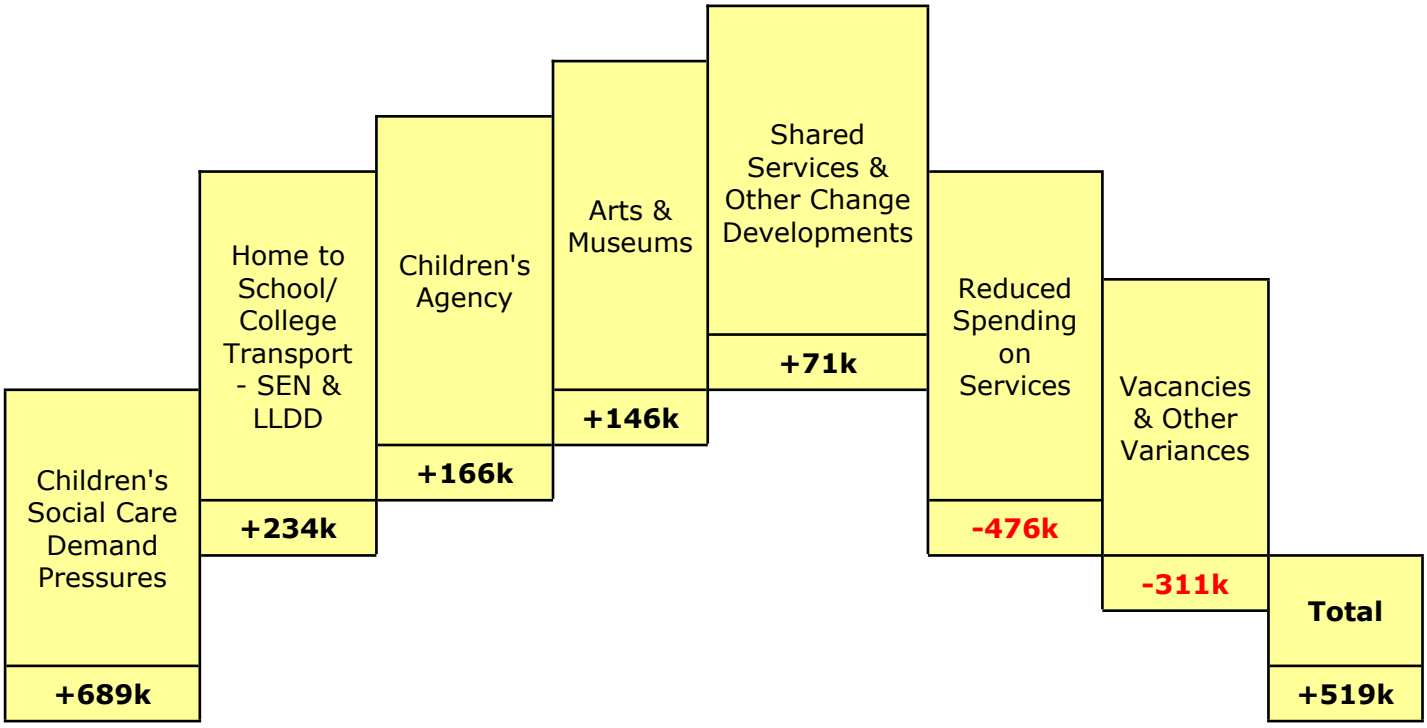
Activity	Variance £'000	Reason	Action Being Taken
Property Services and Markets Income	+458	Shortfall in income due to current rent levels.	The Council has introduced two important strategies which will address the instability in the property income and reduce (ultimately remove) the shortfall in income. Through implementing the Estates Strategy the Council will identify high risk and underperforming investment assets and these will be disposed of. Initial tranche of properties identified. The Investment Acquisition Strategy will see the Council utilise existing capital currently invested in low return investments and receipts received from disposals. Three properties already acquired – expected to produce £330,000 p.a. in new income. The Council is looking to appoint agents to widen marketing activity on the hard to let properties.
Coroners Court Costs	+283	There are legislative changes around deaths occurring under Deprivation of Liberty Orders (DoL's) that are driving a significant increase in the volume of cases and thus costs.	Meetings being held between Coroner's Court and with DoL's Coordinators from Rochdale, Oldham and Bury Councils to assess the issue in more detail.

Reduced Staffing and Running Costs	-567	Vacant posts not filled and tightening of controllable expenditure across the department. Salaries savings and reduced running costs in Finance & Efficiency (£104k) from Internal Audit, Accountancy and Procurement, Customer Support & Collections (£107k), Planning & Development Control (£83k), Members Allowances (£60k), HR (£42k), Press & Media (£29k), Licensing (£42k), Trading Standards (£51k) and Stores (£49k).	To be used to assist in reducing the estimated overspend within the department in 2015/16 and part included within the 2016/17 savings.
Additional Income	-203	Additional income received from Payroll external contracts (£73,000), Architects (£119,000) and HR (£11,000).	To be used to assist in reducing the estimated overspend within the department and where ongoing to be included within the 2016/17 savings.

4.3 CHILDREN'S, YOUNG PEOPLE AND CULTURE

4.3.1 The overall Children's, Young People & Culture budget is currently projecting an overspend of **£0.519m**, or 1.49% based on net budget of £34.826m.

4.3.2 Reasons for major variations are illustrated in the chart below;



4.3.3 Further details of the major variations are provided in the table below:

Activity	Variance £'000	Reason	Action Being Taken
Children's Social Care Demand Pressures	+689 Made up of:		
Leaving Care	+367	Spending on housing and further education of 19+ students who have now left our care	The forecast overspend on Housing continues to be offset by £71,000 Income from 'The Staying Put' Grant, various efficiencies related to the service now being in house and a current vacant post.
Safeguarding	+127	The budget will overspend due to agency staff cover for vacancies and additional hours offered to staff to cover the current workload.	The forecast has increased due to the lack of success in recruiting to the vacant posts, the agency staff will now continue until the posts are filled, plus an additional agency IRO has been brought in to cover a maternity leave.
Advice & Assessment	+33		This budget is under pressure due to agency worker spend related to covering vacancies, maternity leave and the transfer of a social worker team to safeguarding fieldwork. There continues to be insufficient budget for interpretation / translation, lump sums, mileage and car parking for social workers based at 3KP.

Children and Young People in Care (CYPIC)	+47		The service will overspend as two agency social workers were covering vacancies, the posts have been recruited to with start dates in September; however one person did not qualify as a SW until later in the year which means that an agency SW was need to be retained to support the person until she qualified. There are currently 5 UASC Children being supported.
Children's Disability	+115	At the beginning of the financial year the service had 135 active placements, which has increased to 162 at month 9.	The service are scrutinising and aligning processes in conjunction with the Performance, Planning & Commissioning Team. The budget is currently supporting three high cost packages which are "end of life" care.
Home to School/College Transport – SEN & LLDD	+234	Continuing increased demand	All known schedules are on the system and should be an accurate forecast but schedules do change regularly and projections will have to be adjusted monthly to show this. Projections reflect both current / previous demands for the Home to College transport service. This is an ongoing budget pressure. The overspendings are partially offset by the Bus Escorts underspending their budget, which is based on current contracts and spending levels over the last 3 years.
Children's Agency Placements	+166	Continuing increased demand.	This budget remains volatile and this budget is now in an overspend position. The projected spending has increased due to 2 new residential placements & 2 new supported lodgings and

			various changes to packages. Prompt and regular reviews via the Complex Care Panel has led to securing better funding splits across Education, Health and Social Care - further reducing the burden on this budget.
Arts & Museums	146		£45,000 of the over spend is due to the agreed Invest to Save that will generate income in future years. An income budget of £135,000 was added to this budget in 2013 and the income received in 2015-16 will not reach this target. Previous years' overspendings have been offset by underspendings elsewhere.
Shared Services & Other Change Developments Shared Services Reach Out (ASU)	+71 Made up of: +46 +25	Payments to an outside organisation to review existing levels of provision.	Spending on developing shared services with other nearby local authorities, which will provide efficiencies and budget management savings in the future. Anticipated costs for 2015-16 for the Project Manager.

Activity	Variance £'000	Reason	Action Being Taken
Reduced Spending on Services	-476 Made Up of:		
Youth Offending Service	-45		The forecast takes into account the expected reduction in grant funding.
Legal Fees	-167		There continues to be a reduction in costs within this budget. There is a lot of work now done by the safeguarding teams (pre-proceedings), therefore, there are fewer hearings and fewer expert reports - as a consequence this is putting added pressure on our social worker teams.
Fostering	-164		The overall forecast has reduced because of the payments made to Foster Carers, which is based on national rates. The Adoption allowances are higher than budget, however they are currently being reviewed. Adoption placement fees are closer to being within budget, with the Government funding 'hard to place' children's adoption fees. There are also underspendings on the Invest to Save due to salary savings and Home from Home Carers.
Management	-100		Management restructures.

Vacancies & Other Variances	-311 Made Up Of:		
Front-line Services	-138	Education Psychology Service, Childcare & Extended Services, Emergency Duty Team, Early Help	
Support Services	-55	SEN team, Family Support	
Management & Administration	-119	Performance, Planning & Commissioning Finance, HR and Administration sections	
Other	+1		

4.5 NON-SERVICE SPECIFIC

4.5.1 There is a forecast net underspend of **£0.950m**, or 3.11% based on net budget of £30.488m. This relates primarily to the Council's Treasury Management activity (£0.700m) and a higher than expected airport dividend (£0.250m). See Section 8.0, page 21 for further details of the Council's Treasury Management activity.

5.0 CAPITAL BUDGET

5.1 Capital Programme

5.1.1 The revised estimated budget for the Capital Programme 2015/16 at the end of December is shown in the table below:

2015/16	£m
Original Capital Programme	25.690
Approved Slippage from 2014/15	16.546
In year adjustments and contributions	(0.027)
Revised Capital Allocation at Qtr 3	**42.209**
Estimated re-profiled projects into 2016/17	(10.764)
Revised working budget for Year at Qtr 3	**31.445**

5.1.2 The expenditure and funding profile for the Capital Programme together with a detailed breakdown of the Original Approved Programme, the Revised Estimate, Forecast Outturn, Actual Spend up to end of Month 9 and the estimated under/over-spend of the capital programme for 2015/16 is shown in Appendix A.

5.1.3 Members should note that given the complexity and size of some of the larger schemes currently in the Council's Capital Programme the information received from budget holders can vary significantly from one quarterly report to the next and should be read in this context.

5.1.4 At the end of Quarter3, a total of **£10.764m** of the 2015/16 budget has been identified for re-profiling to 2016/17. Most of this amount is attributed to Children's Services Projects where the schemes are funded mainly by grants from Department of Education to a total of £6.368m.

5.1.5 The remainder is attributable to Empty Property Strategy of £0.656m, Highways Traffic Calming and Street Lighting schemes with a total of £0.574m and a further £1.990m on the A56 Prestwich Village Corridor Improvements.

5.1.6 The New Energy Development Organisation efficiency scheme on social housing will slip £0.391m into 2016/17.

5.2 Expenditure

5.2.1 The Forecast Outturn as at Month 9 is estimated to be **£31.486m** and Budget Managers have reported that they expect to spend up to this amount by 31 March 2016.

5.2.2 The actual expenditure realised by the end of Month 9 totals **£15.510m**.

5.3. Variances

5.3.1 Appendix A provides details of variances for each scheme based on latest available information received from Budget Managers; at Month 9 it shows a projected overspend for the Programme of £0.041m. This amount is mainly due to timing issues between incurring costs and receipt of funding.

5.4 Funding

5.4.1 The principal source of funding for Capital schemes approved for the 2015/16 programme is made of external resources together with resources unspent and carried forward from previous years.

5.4.3 The position of the capital receipts and borrowing as at the end of Month 9 is reported below. The figures in the table show the total funding requirement for the revised estimated capital programme inclusive of potential slippage into 2016/17 and the expected resources to be supported by the Council as at the end of Quarter 3 of the year.

2015/16 Use of Council Resources for Capital Investment	**£m**
Revised Capital Programme allocation for the year	31.445
Use of external funding and contributions	30.610
Balance of programme relying on Council resources	**0.835**
Use of Capital receipts and earmarked reserves	0.451
Use of Prudential Borrowing (2015/16 approved I2S schemes)	0
Use of Prudential Borrowing (2014/15 I2S schemes b/fwd)	0.384
Total Council Resources expected to support the Capital Budget for Year	**0.835**

5.5 Capital Programme Monitoring

5.5.1 The programme will continue to be monitored closely during the remainder three months of the year by Capital Programme Monitoring Group and Management Accountancy with an aim to deliver schemes on cost and on time with minimum slippage into 2016/17.

6.0 HOUSING REVENUE ACCOUNT

6.1 The Housing Revenue Account (HRA) relates to the operation of the Council's housing stock and can be viewed as a landlord account. It is required by statute to be accounted for separately within the General Fund and is therefore effectively ring-fenced.

6.2 The latest estimates show a projected surplus (working balance carried forward) of £1.000m at the end of 2015/16. The projected outturn shows a working balance carried forward of £1.312m. See Appendix B.

6.3 There are a number of variations that contribute to the projected outturn position however there are no areas where the variance exceeds 10% and £50k.

6.4 The main impacts on the HRA year-end balance are normally ***void levels***, the ***level of rent arrears*** and the ***level of Right to Buy sales.***

***Voids*:**
The rent loss due to voids for April to December was on average 1.64% which is better than the 1.8% void target level set in the original budget. If this performance continues for the rest of the year there will be an increase in rental income of £47k above the original budget; the projections of rental income in Appendix B have been calculated on this basis.

Six Town Housing continues to review the voids processes and the various factors affecting demand.

Arrears:

The rent arrears at the end of December totalled £1.189m, an increase of 25.7% since the end of March. Of this total £0.516m relates to former tenants and £0.673m relates to current tenants. The increase in the number of Universal Credit cases will account for a large part of the increase in arrears.

The Council is required to make a provision for potential bad debts. The contribution for the year is calculated with reference to the type of arrear, the amount outstanding on each individual case and the balance remaining in the provision following write off of debts.

Based on the performance to the end of December, projected for the full year, this provision would require an additional contribution of £0.318m to be made.

The 2015/16 HRA estimates allow for additional contributions to the provision totalling £0.488m, £0.183m for uncollectable debts and £0.305m to reflect the potential impact that welfare benefit changes could have on the level of rent arrears. Therefore there is a potential underspend of £0.170m. The projected outturn has not been amended to reflect this as the impact of increased numbers of Universal Credit cases coupled with further benefit changes is ongoing; the method of calculating the contribution required is being reviewed to ensure it reflects changing patterns of arrears.

Right to Buy Sales:

From April 2012 the maximum Right to Buy discount increased from £26,000 to £75,000.

This has resulted in an increase in the number of applications and ultimately sales. There were 40 sales in 2013/14 and this increased to 41 sales last year.

The forecast for 2015/16 was set at 50, this being an increase of 7 on the level of sales assumed for Bury in the Government's self–financing valuation.

From July 2014 the maximum Right to Buy discount increased from £75,000 to £77,000 and the maximum percentage discount on houses increased from 60% to 70% (in line with the discounts allowed on flats). The maximum discount increased in April 2015 to £77,900.

From 26th May 2015 the qualifying period for Right to Buy has been reduced from 5 years to 3 years.

These changes may increase the number of applications and sales but it is too early after the changes to quantify this.

The number of sales has a direct effect on the resources available to the HRA – the average full year rent loss for each dwelling sold is around £3,800.

6.5 There have been 36 sales in the period April to December. At this stage the total number of sales is not expected to differ significantly from the forecast therefore rental income projections have not been adjusted.

6.6 The Welfare Reform and Work Bill contains provision for a 1% reduction in social housing rents for 4 years from 2016/17 which will have a significant impact on future HRA resources; the impact of this and other changes contained in the Housing and Planning Bill is being assessed as information becomes available.

7.0 PRUDENTIAL INDICATOR MONITORING

7.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". The authority's approved Prudential Indicators (affordability limits) for 2015/16 is outlined in the approved Treasury Management Strategy Statement.

7.2 The authority continues to monitor the Prudential Indicators on a quarterly basis and Appendix C shows the original estimates for 2015/16 (approved by Council on 25 February 2015) with the revised projections as at 31 December 2015. The variances can be seen in the Appendix together with explanatory notes. The Prudential Indicators were not breached during the first 6 months of 2015/16.

8.0 TREASURY MANAGEMENT

8.1 Investments:

8.1.1 At the 31st December 2015 the Council's investments totalled £45.7m and comprised:-

Type of Investment	£m
Call Investments (Cash equivalents)	18.7
Fixed Investments (Short term investments)	27.0
Total	**45.7**

8.1.2 All investments were made in line with Capita's suggested credit worthiness matrices and the approved limits within the Annual Investment Strategy were not breached during the first 9 months of 2015/16.

8.1.3 The Council has earned the following return on investments:
Quarter 1 0.64%
Quarter 2 0.67%
Quarter 3 0.74%

8.1.4 This figure is higher than Capita's suggested budgeted investment earnings rate for returns on investments, placed for periods up to three months in 2015/16, of 0.50%

8.2 Borrowing:

8.2.1 External borrowing of £6.5m was undertaken in the quarter to 31st December 2015.

8.2.2 One loan was taken over 1.5 years and two loans taken over 3 years to take advantage of low interest rates. The loans are required to replace two more expensive longer term loans, which matured in August/September.

8.2.3 At 31st December 2015 the Council's debts totalled £196.011m and comprised:-

		31st December 2015		
		Principal		Avg.
		£000	£000	Rate
Fixed rate funding				
	PWLB Bury	131,453		
	PWLB Airport	2,555		
	Market Bury	62,000	196,008	
Variable rate funding				
	PWLB Bury	0		
	Market Bury	0	0	
Temporary Loans / Bonds		3	3	
Total Debt			**196,011**	**3.92%**

8.2.4 The overall strategy for 2015/16 is to finance capital expenditure by running down cash/investment balances and taking shorter term borrowing rather than more expensive longer term loans. With the reduction of cash balances the level of short term investments will fall. Given that investment returns are likely to remain low for the financial year 2015/16, then savings will be made by running down investments and taking shorter term loans rather than more expensive long term borrowing.

8.2.5 It is not anticipated that any further borrowing will be undertaken during the year.

9.0 MINIMUM LEVEL OF BALANCES

9.1 The actual position on the General Fund balance is shown in the following table:

	£m
General Fund Balance 31 March 2015 per Accounts	**10.487**
Less : Minimum balances to be retained in 2015/16 Less : Contribution towards cost of Equal Pay Less : Forecast overspend	-4.500 -1.500 -0.604
Forecast Available Balances at 31 March 2016	**3.883**

9.2 Based on the information contained in this report, on the risk assessments that have been made at both corporate and strategic level, on the outturn position for 2015/16 and using information currently to hand on the likely achievement of savings options, it is clear that there is no reason to take the minimum level of balances above the existing level of £4.500m.

9.3 In light of the above assessment it is recommended that the minimum level of balances be retained at **£4.500m**.

9.4 Members are advised that using available balances to fund ongoing expenditure would be a breach of the Council's Golden Rules. Likewise, Members are advised that the Authority faces significant funding reductions in the future, and balances are likely to be required to fund one-off costs of service transformation.

10.0 EQUALITY AND DIVERSITY

10.1 There are no specific equality and diversity implications.

11.0 FUTURE ACTIONS

11.1 Budget monitoring reports will continue to be presented to the Strategic Leadership Team on a monthly basis and on a quarterly basis to the Cabinet, Overview & Scrutiny Committee, and Audit Committee.

11.2 Star Chambers have already been held for Quarters 1 and 2; Q3 meetings are scheduled to take place in February, 2016.

Councillor Rishi Shori, Deputy Leader of the Council and Cabinet Member for Finance and Housing

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List of Background Papers:-

Finance Working Papers, 2015/16 held by the Interim Executive Director of Resources & Regulation.

Contact Details:-

Steve Kenyon, Interim Executive Director of Resources & Regulation, Tel. 0161 253 6922, E-mail: S.Kenyon@bury.gov.uk

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Bury MBC - Capital Budget Monitoring Statement
Month 9 - 2015/16

APPENDIX A

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		2015/16 Original Estimate	Slippage	Adjust-ments	Revised Estimate Before Reprofile	Reprofiled to Future Years	Revised Estimate After Reprofile Col.4-Col.5	Forecast Outturn 2015/16	- 2015/16 Month 09 Actual	Month 9 Variance / (Underspend) or Overspend Col.7-Col.6
		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Children, Young People & Culture	Support Services		7		**7**		**7**	7	8	0
Children, Young People & Culture	DFE - Devolved Formula	500	1,022	(6)	**1,516**	(915)	**601**	601	562	1
Children, Young People & Culture	NDS Modernisation	4,778	7,115	(199)	**11,694**	(4,821)	**6,873**	6,881	6,722	8
Children, Young People & Culture	Access Initiative		24		**24**	(11)	**13**	14	14	0
Children, Young People & Culture	Targetted Capital Funds		101		**101**	(95)	**5**	5	5	0
Children, Young People & Culture	Upgrade and remodel Radcliffe Hall	700			**700**	(197)	**503**	503	3	-
Children, Young People & Culture	Children Centres		44		**44**	(17)	**27**	27	2	0
Children, Young People & Culture	Free School Meal Capital Grant		131		**131**	(37)	**94**	94	64	-
Children, Young People & Culture	Early Education Fund		291		**291**	(241)	**50**	50	35	-
Children, Young People & Culture	Protecting Play Fields			34	**34**	(33)	**2**	2	**2**	-
Children, Young People & Culture	Libraries / Adult Education		62		**62**		**62**			(62)
Communities & Wellbeing	Contaminated Land		25	0	**25**	(16)	**9**	8	3	(0)
Communities & Wellbeing	Air Quality		9		**9**	(4)	**5**	5		-
Communities & Wellbeing	Heat Network In Bury Town Centre		44	32	**76**	(62)	**14**	13		(1)
Communities & Wellbeing	Improving Information Management		32		**32**		**32**	32		-
Communities & Wellbeing	Play Areas	250			**250**		**250**	248	67	(2)
Communities & Wellbeing	Parks		0		**0**		**0**			(0)
Communities & Wellbeing	Radcliffe Temporary Pool		825		**825**		**825**	825	892	0
Communities & Wellbeing	Demolition of Radcliffe Pool			245	**245**	(230)	**15**	15	8	-
Communities & Wellbeing	Learning Disabilities		224	230	**455**		**455**	454	364	(1)
Communities & Wellbeing	Mental Health				**-**		**-**			-
Communities & Wellbeing	Older People	455			**455**	(240)	**215**	255	9	40
Communities & Wellbeing	Empty Property Strategy	199	527		**726**	(656)	**70**	70	17	-
Communities & Wellbeing	GM Green Deal and ECO Deliver Partnership	0	55	-55	**-**		**-**			-
Communities & Wellbeing	Capital Improvement Projects			108	**108**		**108**	108	8	-
Communities & Wellbeing	Housing development - Urban Renewal				**-**		**-**	5	5	5
Communities & Wellbeing	Disabled Facilities Grant	781	182	(30)	**933**	(15)	**918**	919	468	0
Communities & Wellbeing	Waste Management		102		**102**		**102**	102	49	-
Resources & Regulation	Street Lighting LED Invest to Save	203	861		**1,064**	(264)	**800**	800	339	-
Resources & Regulation	Traffic Management Schemes		442	82	**524**	(282)	**242**	242	128	-
Resources & Regulation	Pubilic Rights of Way		19		**19**		**19**	19		-
Resources & Regulation	Planned Maintenance	1,484	289	183	**1,956**		**1,956**	1,956	578	-
Resources & Regulation	Wallking Strategy		20		**20**		**20**	20	2	0
Resources & Regulation	Bridges	394	136	(62)	**468**		**468**	468	111	(0)
Resources & Regulation	Traffic Calming and Improvement	275	141		**416**	(28)	**388**	388	19	-
Resources & Regulation	Prestwich Town Centre	2,000	485	(485)	**2,000**	(1,990)	**10**	10	3	(0)
Resources & Regulation	Development Group Projects		299	2	**301**		**301**	301	169	-
Resources & Regulation	ELR Trust			7	**7**		**7**	7	7	1
Resources & Regulation	Environmental Projects	60	612	97	**770**	(137)	**633**	624	397	(9)
Resources & Regulation	Corporate ICT Projects	71	173		**243**	(79)	**164**	164		-
Resources & Regulation	Townside Fields - Joint Venture				**-**		**-**		269	-
Resources & Regulation	Opportunity Land Purchase		109		**109**		**109**	109		-
Resources & Regulation	Demolition of the Rock Fire Station		90	(90)	**-**		**-**			-
Resources & Regulation	Irwell Street Redevelopment				**-**		**-**	-	54	-
Resources & Regulation	Demolition of Former Police HQ, Irwell Street		370		**370**		**370**	370	51	-
Resources & Regulation	Bury Market - New Toilets				**-**		**-**	5	(5)	5
Resources & Regulation	Radcliffe Market Redevelopment		(63)		**(63)**		**(63)**	(63)	12	0
Resources & Regulation	The Rock Fire Station Redevelopment		4	90	**94**		**94**	94		-
Resources & Regulation	Radcliffe TC Bus Station Relocation	1,000	902	(1,000)	**902**		**902**	902	23	-
Resources & Regulation	New Leisure Centre at Knowsley Street				**-**		**-**		79	-
Resources & Regulation	Former Petrol Filling Station near Murray Road		7		**7**		**7**	32	32	25
Resources & Regulation	18 Haymaket Street		86		**86**		**86**	115	115	28
Resources & Regulation	Tile Street Refuse Removal		42	239	**282**		**282**	282	228	-
Resources & Regulation	Seedfield				**-**		**-**		2	-
Resources & Regulation	Radcliffe TC Redevelopment				**-**		**-**		18	-
Resources & Regulation	12 Tithebarn Street			45	**45**		**45**	45		-
Resources & Regulation	Property Management / Sale of Assets				**-**		**-**	-	340	-
Housing Public Sector	Disabled Facilities Adaptations	552	63		**615**		**615**	615	268	0
Housing Public Sector	Play Areas/St Lighting	250			**250**		**250**	250		-
Housing Public Sector	New Energy Development Organisation (NEDO) works			503	**503**	(391)	**112**	112		0
Housing Public Sector	Major Repairs Allowance Schemes	7,619			**7,619**		**7,619**	7,619	168	(0)
Housing Public Sector	Major Repairs Allowance Schemes	4,119	634		**4,753**		**4,754**	4,754	2,798	(0)
Total Bury Council controlled programme		**25,690**	**16,546**	**(27)**	**42,209**	**(10,764)**	**31,445**	**31,486**	**15,510**	**41**

Funding position:

Capital Receipts		429	230	659	(208)	451	451
Reserve / Earmarked Capital Receipts	***1,013***	3,210		4,223	(1,000)	3,223	3,259
General Fund Revenue		923	162	1,085	(797)	288	288
Housing Revenue Account	***250***	700		950		950	950
Capital Grants/Contributions	***10,137***	10,423	132	20,692	(6,945)	13,747	13,751
HRA/MRA Schemes	***12,290***		503	12,793	(391)	12,402	12,402
Supported Borrowing							
Unsupported Borrowing	***2,000***	861	(1,054)	1,807	(1,423)	384	384
	25,690	**16,546**	**(27)**	**42,209**	**(10,764)**	**31,445**	**31,486**

Key for budget monitoring reports

Projected Overspend (or Income Shortfall)

	a major problem with the budget	more than 10% and above £50,000
	a significant problem with the budget	more than 10% but less than £50,000
	expenditure/income in line with budget	
	a significant projected underspend (or income surplus)	more than 10% but less than £50,000
	a major projected underspend (or income surplus)	more than 10% and above £50,000

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HOUSING REVENUE ACCOUNT

Appendix B

April 2015 - December 2015

	2015/16 Original Estimate £	2015/16 Latest Estimate £	2015/16 Projected Outturn £	2015/16 Variation Over/(Under) £
INCOME				
Dwelling rents	29,981,900	29,981,900	30,042,200	(60,300)
Non-dwelling rents	219,000	219,000	214,400	4,600
Heating charges	70,700	70,700	73,700	(3,000)
Other charges for services and facilities	950,800	950,800	916,600	34,200
Contributions towards expenditure	53,900	53,900	53,900	0
Total Income	31,276,300	31,276,300	31,300,800	(24,500)
EXPENDITURE				
Repairs and Maintenance	0	0	0	0
General Management	773,000	773,000	829,300	56,300
Special Services	786,400	786,400	794,800	8,400
Rents, rates, taxes and other charges	93,200	93,200	100,000	6,800
Increase in provision for bad debts - uncollectable debts	183,200	183,200	183,200	0
Increase in provision for bad debts - impact of Benefit Reforms	305,300	305,300	305,300	0
Cost of Capital Charge	4,531,900	4,531,900	4,534,100	2,200
Depreciation/Impairment of fixed assets - council dwellings	7,619,100	7,619,100	7,619,100	0
Depreciation of fixed assets - other assets	41,900	41,900	42,300	400
Debt Management Expenses	40,600	40,600	35,000	(5,600)
Contribution to/(from) Business Plan Headroom Reserve	(1,919,900)	(1,919,900)	(1,919,900)	0
Total Expenditure	12,454,700	12,454,700	12,523,200	68,500
Net cost of services	(18,821,600)	(18,821,600)	(18,777,600)	44,000
Amortised premia / discounts	(14,600)	(14,600)	(14,600)	0
Interest receivable - on balances	(65,400)	(65,400)	(61,200)	4,200
Interest receivable - on loans (mortgages)	(1,000)	(1,000)	(700)	300
Net operating expenditure	(18,902,600)	(18,902,600)	(18,854,100)	48,500
Appropriations				
Appropriation relevant to Impairment	0	0	0	0
Revenue contributions to capital	5,424,200	5,424,200	5,163,800	(260,400)
(Surplus) / Deficit before ALMO/SHU payments	(13,478,400)	(13,478,400)	(13,690,300)	(211,900)
Payments to Six Town Housing / Transfers re Strategic Housing Unit excluded from above				
Six Town Housing Management Fee	13,158,400	13,158,400	13,058,600	(99,800)
Contribution to SHU Costs	320,000	320,000	320,000	0
Total	13,478,400	13,478,400	13,378,600	(99,800)
(Surplus) / Deficit after ALMO/SHU payments	0	0	(311,700)	(311,700)
Working balance brought forward	(1,000,000)	(1,000,000)	(1,000,000)	0
Working balance carried forward	(1,000,000)	(1,000,000)	(1,311,700)	(311,700)

key for budget monitoring reports

Projected Overspend (or Income Shortfall) of

- a major problem with the budget - more than 10% and above 50K
- a significant problem with the budget - more than 10% but less than 50K
- expenditure/income on line with budget
- a significant projected underspend (or income surplus) - more than 10% but under 50K
- a major projected underspend (or income surplus) - more than 10% and above 50K

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Prudential Indicator Monitoring Month 9 2015/16 **Appendix C**

The table below shows the prudential indicators as derived from the Treasury Management Strategy Report for 2015/16 and the Original Budget for 2015/16 as approved at Council in February 2015. The Original Budget for 2015/16 is compared with the Forecast Outturn for 2015/16 as at 31st December 2015.

CAPITAL EXPENDITURE	Original Budget 2015/16	Forecast Outturn at 31 Dec 15	Variance	Notes
	£'000	£'000		
Estimate of Capital Expenditure				
Non-HRA	13,150	18,279	39.00%	
HRA existing expenditure	12,540	13,593		
TOTAL	**25,690**	**31,872**		1
Estimate of Capital Financing Requirement (CFR)				
Non-HRA	120,319	118,492	(1.52%)	
HRA existing expenditure	40,530	40,530		
HRA reform settlement	78,253	78,253		2
	239,102	**237,275**		3

AFFORDABILITY	Original Budget 2015/16	Forecast Outturn at 31 Dec 15	Variance	Notes
	£'000	£'000		
Estimate of incremental impact of capital investment decisions				
Increase in council tax (band D, per annum)	-£2.48	-£0.01		4
Increase in housing rent per week	£0.00	£0.00		5
Ratio of Financing Costs to net revenue stream				
Non-HRA	3.02%	3.11%	3.12%	6
HRA	13.61%	14.44%	6.09%	6
Net External Borrowing only to support the CFR in Medium Term	**£'000**	**£'000**		
Net External borrowing over medium term	196,011	196,011		7
Total CFR over Medium Term	239,102	237,275		7
Net External Borrowing < Total CFR	TRUE	TRUE		

EXTERNAL DEBT	Original Budget 2015/16	Forecast Outturn at 31 Dec 15	Variance	Notes
	£'000	£'000		
Authorised limit of external debt				
Borrowing	194,100	193,000		
Other long term liabilities	6,700	6,700		
HRA reform settlement	79,300	79,300		
TOTAL	280,100	279,000	(0.39%)	8
Operational boundary				
Borrowing	159,100	158,000		
Other long term liabilities	6,700	6,700		
HRA reform settlement	79,300	79,300		
TOTAL	245,100	244,000	(0.45%)	8

TREASURY MANAGEMENT	Original Budget 2015/16	Forecast Outturn at 31 Dec 15	Variance	Notes
Upper limit for fixed interest rate exposure Net principal re fixed rate borrowing / investments	140%	130%	(6.88%)	9
Upper limit for variable rate exposure Net principal re variable rate borrowing / investments	-40%	-30%	(24.00%)	9
Upper limit for total principal sums invested for > 364 days	£10 m	£10 m		10
Maturity structure of fixed rate borrowing at 30 Sept 2013	Upper/lower limit	Actual		
Under 12 months	40% - 0%	6.54%		
12 months and within 24 months	35% - 0%	8.28%		
24 months and within 5 years	40% - 0%	5.76%		
5 years and within 10 years	50% - 0%	2.24%		
10 years and above	90% - 30%	77.18%		

Notes to the Prudential Indicators:

1. The original budget shows the approved Capital Programme expenditure of £25,690,000. The forecast outturn of £31,872,000 is higher than budget because of slippage from 2014/15.

2. Following the Government announcement to reform the system of financing Council housing, the Authority had to pay the Department for Communities and Local Government £78.253m on the 28th March 2012. The Council financed this expenditure by PWLB loans.

3. Capital Financing Requirement relates to all capital expenditure – i.e. it includes relevant capital expenditure incurred in previous years. The Capital financing requirement reflects the authority's underlying need to borrow.

4. The finance costs related to the increases in capital expenditure impact upon Council tax. The increase in Council Tax reflects the level of borrowing to be taken in 2015/16 to finance current and previous years' capital expenditure.

5. There is no direct impact of capital expenditure on housing rents as the housing rent is set according to Government formula.

6. The ratios for financing costs to net revenue stream for both General Fund and HRA have remained relatively stable.

7. To ensure that borrowing is only for a capital purpose and therefore show that the authority is being prudent this indicator compares the level of borrowing and capital financing requirement (CFR) over the medium term. The level of borrowing will always be below the CFR.

8. The authorised limit and operational boundary are consistent with the authority's plans for capital expenditure and financing. The authorised limit is the maximum amount that the authority can borrow.

9. The variable and fixed limits together look at the whole portfolio and will therefore together always show 100% exposure. Variable interest rate limit can be positive or negative as investments under 364 days are classed as variable and are credit balances which are offset against debit variable loans. The smaller the balance of investments, the more likely the variable limit will be positive as the variable loan debit balance will be higher than the credit investment balance offset against it.

10. Principal sums invested for periods longer than 364 days have been set at £10 million. The investment balance is estimated to be cash flow driven, however if the opportunity arises that surplus investment balances are available then advantage will be taken of favourable rates.

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Agenda Item 6

REPORT FOR DECISION

Agenda Item	

MEETING:	**OVERVIEW & SCRUTINY COMMITTEE** **CABINET** **COUNCIL**
DATE:	**11 FEBRUARY 2016** **24 FEBRUARY 2016** **24 FEBRUARY 2016**
SUBJECT:	**BUDGET 2016/17**
REPORT FROM:	**DEPUTY LEADER OF THE COUNCIL & CABINET MEMBER FOR FINANCE & HOUSING**
CONTACT OFFICER:	**S Kenyon – Interim Executive Director of Resources & Regulation**

TYPE OF DECISION:	**COUNCIL**
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain

SUMMARY:

The report provides Members with details of the Capital Programme for 2016/17 to 2018/19 (section A) and the Revenue Budget for 2016/17 (section B) and outlines the Council's strategy for tackling the financial challenges ahead.

Section A sets out the draft Capital Programme and a forecast of the available resources. In view of what continues to be a very difficult revenue budget situation it recommends that the Programme be limited to those schemes that are fully funded from external sources.

Section B addresses the revenue budget and also outlines;

- the final Local Government Finance Settlement for 2016/17
- Forecast outturn for 2015/16
- The budget strategy for 2016/17 and the approach to balancing the budget.

It also examines the robustness of the assumptions behind the budget forecast and it contains an

assessment of the adequacy of the Council's balances.

Members' attention is drawn particularly to the fact that despite the extremely challenging local government finance Settlement, and the resultant savings target, the proposed budget places no long term reliance on one-off savings options.

OPTIONS & RECOMMENDED OPTION

The Overview & Scrutiny Committee is asked to note the report.

The Cabinet is recommended to note the report and request that the Council consider and determine all matters relating to the Budget, the Capital Programme and the level of the Council Tax for 2016/2017 at its meeting on 24th February 2016.

Council is recommended to:

Section A – Capital Programme

1. Approve the Capital Programme for 2016/17 and future years, shown in Appendix 1;
2. Approve the proposed financing of the Capital Programme;

Section B – Revenue Budget

3. Note the details of the Settlement Funding Allocation (SFA) for 2016/17;
4. Note the recently approved level of repayment of principal on General Fund debt at the minimum of 2% in line with the current Minimum Revenue Provision policy;
5. Note that under delegated powers the Interim Executive Director of Resources & Regulation has calculated the amount of 51,900 as the Council Tax base for the year 2016/17 in accordance with the Local Government Act 2003 and with regulations made under section 33(5) of the Local Government Finance Act 1992 and the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012;
6. Note the forecast outturn position for 2015/16;
7. Approve that the actual minimum level of balances for 2016/17 be reduced to £4,250,000 in view of the Council's risk profile;
8. Approve, amend or reject the draft Revenue Budget for 2016/17 as shown in the report;
9. Approve the programme of cuts set out at Appendix 5;
10. Note the recommendations of the Schools' Forum around education funding issues;
11. Endorse the statements by the Interim Executive Director of Resources & Regulation on the robustness of budget assumptions and on the minimum level of

balances;

12. Determine the level of the Council Tax for 2016/17.
13. Accept the 4 year indicative Settlement figures released by the Government; which requires the preparation of an Annual Efficiency Plan.

IMPLICATIONS:

Corporate Aims/Policy Framework:	Do the proposals accord with Policy Framework? Yes.
Statement by Section 151 Officer:	The financial implications of the budget and the risks associated with the calculations and strategy are set out in the report.
Statement by Interim Executive Director of Resources & Regulation:	The financial implications of the budget and the risks associated with the calculations and strategy are set out in the report. 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.
Health & Safety Implications:	The report does not present any Health & Safety issues. Health & Safety matters will continue to be managed in the same way within the services concerned.
Equality/Diversity implications:	In taking financial decisions, the Council must have "due regard" to it's duties under the Equality Act. An Initial Assessment of the financial policies of the Authority has been undertaken to determine whether there is any differential impact upon particular groups and whether the impact is adverse. Members are asked to note that no potentially adverse differential impact on particular groups has been identified. It is intended that if any proposals are identified as carrying any significant risks, further consultation and assessment will be undertaken if necessary.
Considered by Monitoring Officer:	Yes. The budget is prepared in accordance with statutory provisions and detailed guidance. It is timetabled to ensure that statutory requirements are met.
Are there any legal implications?	The Council has a legal obligation to pass its budget and Council Tax resolutions by March 2016. Legal issues are set out in Appendix

2.

Wards Affected: All

Scrutiny Interest: Overview & Scrutiny Committee

TRACKING/PROCESS **INTERIM EXECUTIVE DIRECTOR: Steve Kenyon**

Chief Executive/ Senior Leadership Team	Cabinet Member/Chair	Ward Members	Partners
1/2/16	Deputy Leader / Finance & Housing		
Scrutiny Committee	**Cabinet**	**Committee**	**Council**
Overview & Scrutiny 11/2/2016	24/2/2016	Special JCCs	24/2/2016

SECTION A

CAPITAL PROGRAMME

1.0 BACKGROUND

1.1 This report outlines the proposed approach in respect of the Capital Programme 2016/17 to 2018/19 and sets out a strategy recommended by the Strategic Leadership Team and endorsed previously by the Cabinet.

2.0 PROGRESS AGAINST THE 2015/16 PROGRAMME

2.1 Details of spend against the 2015/16 Programme are set out in the month 9 Corporate Finance and Performance Monitoring Report presented to the Cabinet on 24th February 2016.

3.0 CAPITAL RESOURCES FOR 2016/17

3.1 The Capital Programme can be funded from four main sources:

- Borrowing
- Capital grants / contributions from external agencies / partners
- Capital receipts from the sale of assets
- Revenue contributions and reserves

3.2 In previous years the revenue implications of a specified level of borrowing were supported through the Formula Grant system (known as Supported Borrowing) with the revenue costs of any borrowing above this level falling wholly on the authority's revenue budget (known as Unsupported borrowing). Unsupported borrowing was allowed through the workings of the Prudential Code for Capital Finance in Local Authorities which permits authorities to undertake additional borrowing as long as certain tests of prudence can be met.

3.3 The Settlement for 2016/17 makes no allowance for any supported borrowing meaning that the full costs of any additional borrowing will fall against the authority's revenue budget. This follows the approach adopted by the Coalition Government since 2011/12 to limit borrowing by Local Authorities and encourage them to structure local needs and circumstances to their Councils' levels of affordability for borrowing.

3.4 Capital grants and external contributions have all suffered as a consequence of Government Spending Reviews and the level of investment will be amended accordingly.

3.5 The other main funding source is capital receipts generated from the sale of the authority's land and property. Whilst market conditions are challenging at the moment, the Council anticipates generating capital receipts from a number of sites in the future.

4.0 PROPOSED CAPITAL PROGRAMME 2016/17

4.1 In line with last year's Capital Programme, and the Council's Medium Term Financial Strategy, it is recommended that the 2016/17 – 2018/19 Capital Programme is restricted to fully funded schemes / schemes which are self financing based upon a viable proven Business Case. The proposed Programme is outlined at Appendix 1. In the event that Grant allocations change, the specification of schemes will be reviewed to ensure no under / overspend.

4.2 Invest-to-save schemes will continue to be considered in year, and in line with the Golden Rules will be subject to a verifiable business case that clearly demonstrates that schemes will be self-financing – taking into account any associated borrowing costs.

4.3 Members are reminded that for budgeting purposes capital receipts can only be committed to schemes when the cash from the sale of assets has been received or there is a high level of certainty that the cash will materialise. The extent to which capital receipts are used will be determined to a large degree by property market conditions. This does not hinder development of future schemes, as preparatory work can commence on projects in advance of capital receipts being generated.

4.4 The programme also reflects the Council's continued investment in the Housing Stock to deliver the "Bury Standard"; as approved at Budget Council in February 2014.

4.5 Funding previously made available for works to the A56 corridor in Prestwich remains in the Programme with the balance being carried forward to 2016/17.

5.0 FUNDING THE CAPITAL PROGRAMME

5.1 The draft programme is proposed to be financed as follows;

Source	**2016/17 £**	**2017/18 £**	**2018/19 £**	**Total £**
Gross Cost	**25,191,709**	**3,951,100**	**2,436,600**	**31,579,409**
Financed by:				
Grants / External Funding	21,730,509	2,787,900	2,436,600	26,955,009
Earmarked Reserves	1,007,600	70,600	0	1,078,200
S106 Reserves	205,000	207,000	0	412,000
Borrowing (Invest to Save Business Case)	2,248,600	885,600	0	3,134,200
Total	**25,191,709**	**3,951,100**	**2,436,600**	**31,579,409**

5.2 The table shows a limited programme for 2017/18 and 2018/19; this is due to the absence of funding information available at this stage.

6.0 RISKS

6.1 There are three main risks inherent in the capital strategy:

- **Capital receipts are not realised**. This risk has been addressed through prudent forecasting, in the light of current market conditions however there are no plans to use receipts to fund the Programme.

- **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.

6.2 The Capital Programme Management Group meets regularly to monitor the Programme and management reports are considered by the Strategic Leadership Team and Overview & Scrutiny Committee 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. The position in respect of the Housing Revenue Account is the subject of a separate paper.

1.2 The report begins by providing Members with details of the final Local Government Finance Settlement for 2016/17 and the impact on Bury. It then goes on to provide details of the forecast revenue outturn position for 2015/16 and the draft Revenue Budget for 2016/17. It provides details of the wide-spread consultation process that was undertaken and summarises responses received. Finally it summarises the options identified for meeting the anticipated shortfall on the draft budget.

1.3 Local Government finance is a complex subject and to assist Members a glossary of the main terms and acronyms is attached at Appendix 3.

1.4 A draft settlement was announced on 17th December 2015, outlining figures for 2016/17, and indicative allocations for the following 3 years. Councils can accept these allocations subject to the production of an Annual Efficiency Plan. At the time of writing, final settlement figures have not been confirmed for 2016/17. The report focuses on the 2016/17 Budget; the Medium Term Financial Strategy is being updated to incorporate the indicative allocations provided for 2017/18 to 2019/20.

1.5 Setting the budget for 2016/17 may be a difficult and contentious exercise and so to assist Members the Assistant Director (Legal and Democratic Services) has prepared a note (attached at Appendix 2) setting out in detail Members' individual responsibilities to set a legal budget and how Members should approach the task. It also reminds Members about the rules concerning personal and prejudicial interests and goes on to specify the responsibilities of the Interim Executive Director of Resources & Regulation who fulfils the role of the Council's section 151 Officer. The paper concludes with specific legal advice over aspects of the budget which potentially may give rise to difficulties. **Members are strongly advised to give their best attention to this advice.**

1.6 Members should also be aware that the budget proposals have been drawn up after a widespread consultation exercise. Further details are given in section 7.

2.0 FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2016/17

2.1 The Draft Local Government Finance Settlement for 2016/17 (the Settlement) was released on 17th December 2015 and is due to be confirmed in February 2016. The Settlement provides details of the authority's income from Central Government, and incorporates a number of fundamental changes which took effect on 1st April 2013.

Local Retention of Business Rates

2.2 Historically, Local Authorities collected Business Rates and paid them over to a Central Government "pool"; the Government then redistributed rates income using a formula based approach – relative to perceived need.

2.3 With effect from April 2013, a new approach was introduced whereby Central and Local Government share Business Rates income as follows;

- Government 50%
- Local Authority 49%
- Fire Authority 1%

2.4 The Government has established a notional **baseline** (based upon average collections over the last 2 years); uplifted annually by the Retail Price Index.

2.5 The combination of Business Rates Baseline, Top Up, and Revenue Support Grant are now referred to as the **"Settlement Funding Allocation"** (SFA) and essentially represent the Authority's baseline income for the year – before Council Tax.

2.6 This new approach presents a number of risks to the Council;

- Losses on Appeals – now have to be funded 49% by the Council; this includes significant backdating as far back as 2005. The 2016/17 budget assumes a 5% loss in Business Rates yield as a result of appeals. Monthly monitoring already takes place, and this will continue to monitor progress against this assumption.

- Reliefs – The Council is also now liable for 49% of the cost of charitable / empty reliefs. The impact of this is also factored into the Council's estimated Business Rates yield.

- Impact on Business Cases – the consequences of reduced Business Rates yield now have to be factored in to any Business Cases the Council is developing around its own asset base – e.g. rationalisation of office accommodation

- Economic Conditions – make the new approach more of a challenge as any business failures lead to a potential loss of income to the Council

- Equally however, in addition to the obvious social / economic benefits, there is now a "budgetary" incentive for the Council to stimulate business growth in the Borough

- The Council is responding to this opportunity through its Business Engagement Group led by the Interim Executive Director of Resources & Regulation. This groups seeks to "grow" existing Bury businesses and attract new businesses to the Borough.

Move towards 100% Retention

- The Government has stated its intention to move towards 100% retention of Business Rates for Local Authorities by 2020, coupled with the withdrawal of Central Government Support (Revenue Support Grant).

- The impact of this has not been outlined in the settlement data provided, however the Government has stated that this will be "fiscally neutral"; further detail is awaited to establish whether this will be the case for Bury.

- The move to 100% retention increases the risks outlined above, however also provides opportunity / incentive for the Council to grow its Business Rates base.

Pooling

2.7 When a Local Authority's share of Business Rates grows above an upper threshold, a "levy" is applied effectively capping the growth available to Local Authorities.

2.8 Equally, a "safety net" applies where income falls below a lower threshold.

2.9 There is an opportunity for Local Authorities to "pool" business rates income and retain Business Rates Growth at a local level. Alongside this however, is the risk that losses are covered locally.

2.10 The Greater Manchester Authorities have created a pool arrangement along with colleagues from Cheshire East, and Chester & Cheshire West Councils.

2.11 The utilisation of any proceeds from this approach has yet to be finally agreed, and the 2016/17 Budget assumes no additional income at this stage.

Localised Council Tax Benefit Scheme

2.12 Historically the Council paid out around £14m in Council Tax benefits and this was funded by central government grant. With effect from 2013/14, the Council Tax Benefit scheme was "localised" allowing Councils to devise their own schemes relevant to local circumstances. Alongside this however, there was an average 10% reduction in grant funding.

2.13 The local scheme is reviewed annually; the 2016/17 scheme was approved at Council in December 2015; with no changes.

2.14 Whilst fully costed and affordable now, Members are reminded of the volatility of claimant numbers, and the risk of any increases rests with the Council going forward.

Social Care Precept

2.15 The Spending Review announced that for the rest of the current Parliament, Local Authorities responsible for Adult Social Care *"will be given an additional 2% flexibility on their current council tax referendum threshold to be used entirely for Adult Social Care".* For Bury, an additional 2% equates to £1.353 million.

Overview of Settlement

2.16 Bury's 2016/17 Draft "Settlement Funding Allocation" (SFA), and indicative allocations for future years are as follows;

	Retained Business Rates £m	RSG £m	Total £m	Change %
2015/16	32.683	29.166	61.849	
2016/17	**32.950**	**22.250**	**55.200**	**-10.75%**
2017/18	33.600	15.310	*48.910*	*-11.39%*
2018/19	34.590	10.780	*45.370*	*-7.24%*
2019/20	35.700	6.220	*41.920*	*-7.60%*

2.17 The figures above are based upon a 50:50 share of Business Rates; the Government has announced a move to 100% retention by Local Authorities by 2020. This will see RSG disappear completely, and a scheme is being developed to ensure the proposals are fiscally neutral for Local Authorities.

2.18 The settlement provides indicative allocations for future years (2017/18 – 2019/20). The Government has invited Local Authorities to accept these allocations (with caveats) subject to the preparation of an Annual Efficiency Plan. Members are recommended to accept this offer as whilst future funding cuts remain severe, the proposal offers a degree of certainty to facilitate longer term financial planning.

2.19 More significantly, the reductions for Bury are on top of what is already a very low funding base. The amount of Government support (SFA) per head of population is significantly lower than that of all classes of Authority;

	2016/17 £	Additional Resources if funded at this level £m
Bury	**£294.45**	
Greater Manchester Average	£390.99	**£18m**
CIPFA "Family" Average	£326.37	**£6m**
England Average	£342.46	**£9m**

Rolled in Grants

2.20 The settlement has once again seen the "rolling in" of former specific grants – meaning these are now part of the mainstream funding settlement as follows;

Grant	2016/17 £'000
2015/16 Council Tax Freeze Grant	774
Care Act Implementation Grant	1,073
Lead Local Flood Authorities (New element)	27
Sustainable Drainage Systems	9
	1,883

2.21 In addition, values for grants previously rolled in have been revised in the settlement. The draft budget has been structured in line with the assumptions of the settlement i.e. any increases are passed onto services;

Grant	2015/16 £'000	2016/17 £'000	Change £'000
Homelessness Prevention Grant	455	456	+1
Learning Disability / Health Reform	4,415	4,508	+93
Lead Local Flood Authorities (existing element)	119	122	+3
	4,989	5,086	**+97**

2.22 The combined effect of this is an additional pressure of **£1.980 million**; this is factored into the draft budget.

2.23 Other rolled in grants e.g. Early Intervention Grant have reduced in value in the settlement. The budget is structured on the basis that the indicative 2016/17 levels will apply – ie no protection at historic levels.

Other Specific Grants

2.24 In addition to the overall Settlement, a number of specific grants are made available. Two of these grants effectively form part of the Council's mainstream budget, and have seen reductions in the 2016/17 Settlement; these grants have been protected at the 2015/16 level in drafting the 2016/17 budget;

Grant	2015/16 £'000	2016/17 £'000	Change £'000
Education Service Grant	2,856	2,611	-245
Housing Benefit Admin Subsidy Grant	1,016	701	-315
	3,872	**3,312**	**-560**

2.25 Allocations for unprotected specific grants have not been confirmed at the time of writing, however significant reductions are anticipated, e.g. Public Health Grant. By their nature, these specific grants, each have their own terms and conditions and are therefore not available to support the wider Council budget, and any reductions must be absorbed by the service.

3.0 FORECAST OUTTURN 2015/16

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 current 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.

3.3 The table below shows a summary of the forecast outturn based on information available at 31 December 2015 (i.e. month 9):

Department	Budget £'000	Forecast £'000	Variance £'000
Communities & Wellbeing	65,747	66,152	+405
Resources & Regulation	2,633	3,263	+630
Children, Young People & Culture	34,826	35,345	+519
Non Service Specific	30,488	29,538	-950
TOTAL	**133,694**	**134,298**	**+604**

3.4 The forecast shows a net overspend of **£604,000 (0.45%)** against the current budget. Behind this figure, a number of hot-spots remain within specific service areas, particularly around reduced income for some services in light of the prevailing economic conditions and demand pressures in respect of Looked After Children and Vulnerable Adults.

3.5 The overall budget is supported by the continued strong performance of the Council's Treasury Management function.

3.6 Star Chambers have continued to pay close attention to the situation as have the Overview & Scrutiny and Audit Committees.

3.7 The impact that this position has on the General Fund balance is explained in section 9.

4.0 DRAFT REVENUE BUDGET 2016/17

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

- The three year budget forecast
- "Golden Rules" supporting the budget strategy
- Assumptions behind the draft 2016/17 budget
- The potential Council Tax position for 2016/17
- The draft budget for 2016/17

4.2 The report then goes on to consider the Schools' position, options for balancing the budget, the consultation process and the robustness of the estimates behind the draft budget.

4.3 This in turn leads to an assessment of the adequacy of the Council's minimum level of balances which is then linked to an evaluation of the financial implications of the risks that are faced by the Council in relation to it delivering on its priorities and in relation to the budget strategy and assumptions.

4.4 Medium Term Budget Forecast

4.4.1 The Council has consistently and successfully taken a medium-term view of its financial position. In doing this it recognises that assumptions and estimates become less reliable further into the future but it is felt that remains a prudent and sensible approach to take.

4.4.2 This report focuses on the 2016/17 Budget, and the Council's "Medium Term Financial Strategy" (MTFS) is currently being updated to include the indicative settlement data provided for future years.

4.4.3 It is however clear at this stage that further cuts will be required beyond 2016/17 and the MTFS will be updated to reflect this.

4.5 Golden Rules

4.5.1 The Council has enshrined certain values into its longer-term approach to its finances by the adoption of four 'Golden Rules'. These were incorporated into the Council's financial policies 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 is regularly reviewed 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 has been successively reduced to the point that there is no longer a reliance on one-off options. It is however recognised temporary funding may be required for some initiatives during their implementation.

- 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.

4.5.2 The Interim Executive Director of Resources & Regulation / section 151 officer reports on progress against the 'Golden Rules' as part of the quarterly Finance and Performance Monitoring report.

4.5.3 The Golden Rules are now enshrined in the Council's financial policies and it is clear that they have had a positive influence on the Council's financial standing.

4.6 Assumptions

4.6.1 The report outlines a single year budget for 2016/17. This approach has been taken as no information was made available for future years until the Draft Settlement was released on 17th December 2015. Indicative funding levels have now been provided for future years.The draft Budget for the coming year has been prepared by rolling forward and re-pricing the current year's budget using a number of specific stages:

- Adding the effects of contractually binding inflation and other allowable cost increases to the current year's budget;
- Calculating the resources that will be available in light of the Government's draft funding settlement and regulations in respect of Council Tax.
- Determining options for addressing the budget deficit, balancing income with expenditure.

4.6.2 The forecast is based around a standstill budget, one which reflects the current level of service up-rated for contractually binding inflation and other unavoidable pressures. The Council continues to operate a "cash ceiling" scheme, and as such departments will be required to absorb the impact of demographic, demand and other pressures from within their respective service resources, as well as contributing towards the corporate savings targets set for them.

4.6.3 This will be extremely challenging and the risks associated with such a strategy have been reflected in the calculation of the minimum level of balances.

4.6.4 In determining the assumptions to be used to underpin the 2016/17 budget the following considerations have been taken into account; subject to approval by Council:

	Note	2016/17
Pay	1	1.0%
Pensions (increase in employers' contribution rate)	2	0.7%
Prices	3	0.0%
Waste levy	4	cash rise
Transport levy	5	cash rise
Rise in income from fees and charges	6	1.0%
Council Tax base (no. of Band Ds)	7	51,900
Assumed Council Tax rate rise	8	0.0%

Notes:

1. **Pay** - the current budget forecast makes a 1% provision for pay inflation in 2016/17. Further elements are included to recognise the impact of Employers National Insurance increases, and the impact of the Living Wage on the Council's paybill.

2. **Pensions** – based on the latest 3-year actuarial review of the GM Pension Fund the rate at which Bury Council as an employer is required to contribute (as a % of pensionable pay) is forecast to rise from 17.8% to 19.8% between 1 April 2014 and 31 March 2017. Working on a number of technical assumptions around the reduction in the total pay bill and the level of early/ill health retirements it has been agreed with the Fund that this increase can be allocated equally over the three years at 0.7% per annum.

3. **Prices** – it is recognised that inflation is decreasing and given the Council's overall funding position, no provision for general inflation has been made. Directors have been asked to absorb general inflationary pressures and have been invited to bid for funding towards unavoidable/contractual inflationary cost increases. A provision has also been made to contribute to the additional costs the Council may bear as a result of the Living Wage in respect of bought in / commissioned services

4. **Waste Levy –**The Council has embarked upon a recycling initiative which will see residual waste collected on a 3 weekly basis, and the frequencies of recyclable waste collection have increased. The actual levy payable to Greater Manchester Waste Disposal Authority for 2016/17 is estimated to be £12.495m; compared to £11.528m in 2015/16.

   Whilst this is an increase, it is significantly less that the Levy that would have been incurred had the recycling initiative not been introduced.

   Members should also note that individual Districts' shares of the levy are relative, and Bury faces an increase as a number of other Districts are now adopting the 3 weekly collection arrangements introduced by Bury

5. **Transport levy** – the levy comprises two distinct elements. Firstly there is the amount required to fund transport infrastructure improvements across the Greater Manchester area.

   Secondly there is the amount required to meet the rise in the Combined Authority's general costs.

   The Council's Medium Term Financial Strategy assumed an annual increase of £300,000, however following robust scrutiny of the Combined Authority's budget by Leaders and officers from Bury, Trafford and Wigan Councils, this has been reduced to a net nil increase for Greater Manchester as a whole. This mitigates the extent of cuts the Council is required to make.

6. **Income** - this is a further general assumption and Directors are free to decide how to meet the requirement depending on their individual circumstances, and the market sensitivity of prices.

7. **Council Tax Base** - acting under delegated powers, the Interim Executive Director of Resources & Regulation has calculated the amount of **51,900** Band D equivalent properties as the Council Tax base for the year 2016/17 in accordance with regulations made under section 33(5) of the Local Government Finance Act 1992. This compares to 51,228 in 2015/16.

8. **Council Tax rate** – this report is drafted on the basis of an assumed 0% Council Tax rise; this is an assumption and it should be stressed that the actual level of Council Tax will be determined by Council.

   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. In future years they will also be advised to consider carefully the increase in the tax rate in the light of any possible capping criteria and in the light of legislation to allow a community challenge to the proposed increase.

   For 2016/17, the Government has again indicated that any Council Tax increase "at or above 2%" would trigger a referendum.

4.6.5 Borrowing costs/investment income budgets will be up-rated in line with the Annual Treasury Management Strategy and with the borrowing assumptions, however Members attention is drawn to the fact that the low level of interest rates, coupled with the uncertainties in the financial markets, means that the authority's ability to generate investment returns has been weakened considerably.

4.6.6 The Council has responded to this challenge through the introduction of its "Investment Strategy" (approved by Cabinet September 2014) which seeks to source additional income through investment in property.

4.6.7 Members' attention is also particularly drawn to towards:

- Ongoing and historical demand led pressures in excess of nominal inflation
- Bury's high VFM rating and comparatively low costs
- The seemingly adverse funding formulae which result in lower funding per head for Bury residents
- The impact of economic conditions on income levels
- The endeavours of the Council to allocate resources in line with residents' wishes and Council priorities.

4.6.8 The Interim Executive Director of Resources & Regulation has assessed the robustness of these, and other, assumptions as set out in section 8 and Members are asked to give particular attention and endorsement to the Assistant Director's comments.

4.7 The Draft Budget 2016/17

4.7.1 This budget reflects the assumptions set out in section 4.6 above, but excludes costs funded by the Dedicated Schools Grant.

4.7.2 The table overleaf summarises the initial draft 'standstill' budget for 2016/17:

	2016/17 £000
Opening Budget	**128,642**
Add: one-off cuts from previous year	690
Add: losses on grants now rolled in to settlement	1,980
Add: losses on protected specific grants	560
Inflation:	
Pay	775
Contractual Commitments (incl. Living Wage)	1,910
Energy Costs	254
Income	-424
Staffing costs:	
Increase in employers' pension contribution	570
Increase in National Insurance	1,800
Increments	500
Levies:	
Combined Authority (Transport)	-21
Waste Disposal	967
Corporate / Technical Items:	
Investment Income	-1,000
Reprofiling of Minimum Revenue Provision	-1,855
New Homes Bonus	-900
Estimated Budget	**134,448**
Less:	
Settlement Funding Assessment	-55,200
Council Tax (assumed 0% rise)	-67,669
Estimated Resources	**-122,869**
TOTAL CUTS REQUIRED	**11,579**

** This estimate is based upon an assumed 0% Council Tax increase; it should be noted that the actual level of Council Tax is determined by Council.*

4.7.3 Initial analysis of the 2016/17 Budget in the Medium Term Financial Strategy (approved by Cabinet December 2013) indicated that the Council would have to find cuts of **£15.554m**.

4.7.4 Since this date, a number of corporate / technical measures have been implemented to mitigate the level of cuts required;

- Increases in assumed levels of Investment Income
- Increases in assumed levels of New Homes Bonus
- Reprofiling of the Council's "Minimum Revenue Provision"
- Updated Settlement forecasts in light of subsequent Chancellor's budgets / autumn Statements
- Revised forecasts for levies (Transport & Waste Disposal)
- Updated spend / pressures forecasts

4.7.5 The position is now that the Council is required to make cuts to service budgets totalling **£11.579m**.

4.7.6 Total cuts from 2011/12 are summarised below;

2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 *£'000*	**Total £'000**
9,575	8,656	9,871	9,652	15,807	*11,579*	**65,140**

4.7.7 Members are reminded that the Settlement figures remain provisional at this stage.

5.0 SCHOOLS' ISSUES

5.1 Dedicated Schools Grant (DSG)

5.1.1 This is a ring-fenced grant provided to local authorities and can only be spent on schools and specified areas within the Schools Block.

5.1.2 The 2016/17 DSG is split into three sub-blocks:

- Schools
- Early Years
- High Needs

5.1.3 Although the DfE provide a funding analysis for each of the three sub-blocks, local authorities can, with the agreement of the Schools Forum, switch resources between each block.

5.1.4 Just before Christmas 2015, the Department for Education (DfE) announced that the 2016/17 amount per pupil would be at the same level as 2015/16.

This is creating substantial problems within schools as there are significant cost increases that schools will have to fund from the same amount per pupil. (see paragraphs 5.5)

	2014/15	2015/16	2016/17
Amount per pupil	£4,229.64	£4,433.88	£4,433.96
Ranking out of 150 LA's	123rd	101st	104th

A change in the technical treatment of non-recoupment academies (NRA) means that Bury's per pupil amount increases by 8p per pupil. In monetary terms the Schools Block increases in total by £2,160 or 0.02%.

As Bury has no NRA's, the funding is static while several other LA's have received larger increases in per pupil funding but with no direct benefit as the technical treatment relates to the funding of academies.

5.1.5 Additional funding recognising the total increase in pupil numbers has been included in 2016/17 DSG amounting to just over £2 million.

5.1.6 Pupil Numbers in Schools and Academies based on the October 2015 census

Pupil Numbers	14/15	15/16	16/17	Variance
Primary schools	14,929	14,568	14,595	27
Secondary schools	10,687	10,742	10,801	59
Academies	660	1,217	1,624	407
Totals	26,276	26,527	27,020	493

5.1.7 The Early Years settlement figure remains indicative until after the January 2016 pupil census and Early Years provider headcounts. The first indicative figures for the 2016/17 Early Years block will be published by the DfE in March.

Bury's per pupil funding remains at £3,123.19 per pupil. In per pupil funding terms, Bury is ranked 149th out of 150 local authorities in England.

5.1.8 The settlement for the High Needs block remains indicative as there is a lack of recognition by the Department for Education for planned growth in Special school places, increased out-borough referrals and some Post-16 growth.
The first indicative figures for the 2016/17 High Needs block will be published by the DfE in March.

Total external grants for schools and academies:

Grant Funding	14/15	15/16	16/17
	£M	£M	£M
Dedicated Schools Grant			
Schools Block	111.0	117.8	119.8
Early Years	9.1	8.6	8.6
High Needs	23.8	24.3	24.3
Other Grants			
Pupil Premium Grant	7.9	8.2	8.2
Universal Infant Free School Meals	1.1	2.2	2.2
Total	152.9	161.1	163.1

5.2 <u>School Funding Formula Values</u>

5.2.1 The Schools Forum at their meeting of 13th January 2015 agreed the funding formula factors for 2015/16. The Forum also agreed to spread the repayment of the £3 million deficit over 2 financial years. Consequently the 2015/16 funding formula factors are also applicable for 2016/17. These funding arrangements were endorsed by the Council at its budget setting meeting on 25th February 2015.

5.2.2 During 2015/16 there has been a significant increase in spending above the budget as a consequence of the demand pressures of additional high needs pupils attending Independent Special schools.

5.2.3 Primary, Secondary and Special school Headteachers were consulted on lowering the "Low Prior Attainment" factor to contribute towards the overspending.

In addition, Central Services funded by the DSG have been asked to contribute to the financial problems over and above funding the large cost increases highlighted in paragraph 5.5.

Following the consultation, which had a 72% response, almost every Primary school accepted the proposals and a majority of Secondary schools also accepted the proposals.

The Schools Forum at their meeting on 19th January 2016 considered the outcomes of the consultation and ratified the results.

5.2.4 The Authority submitted the 2016/17 Schools Block pro-forma to the DfE by the required deadline of 21st January 2016.

5.2.5 The following table confirms the recommendations to formula unit values to be applied to Bury's schools/academies budgets for 2015/16 and 2016/17:

Factor	Sector	2015/16	2016/17
		£	£
Basic Entitlement	Primary	3,080	3,080
	Secondary KS3	3,750	3,750
	Secondary KS4	4,500	4,500
Deprivation Free School Meals	Primary	65	65
	Secondary	5	5
Deprivation Income Deprivation Affecting Children Indices (IDACI)	Primary		
	Band 1	200	200
	Band 2	300	300
	Band 3	400	400
	Band 4	600	600
	Band 5	800	800
	Band 6	1,000	1,000
	Secondary		
	Band 1	400	400
	Band 2	500	500
	Band 3	600	600
	Band 4	800	800
	Band 5	1,000	1,000
	Band 6	1,200	1,200
Looked After Children (LAC)	Primary	0	0
	Secondary	0	0
Low Prior Attainment	Primary	720	120
	Secondary	1,600	900
English as an Additional Language (EAL)	Primary	65	65
	Secondary	250	250
Lump Sum	Primary	125,000	125,000
	Secondary	125,000	125,000
Pupil Mobility	Primary	500	500
	Secondary	0	0
Sparsity	Primary	0	0
	Secondary	0	0

5.3 Pupil Premium

5.3.1 The Pupil Premium Grant is additional funding provided by Government and is extra to the Dedicated Schools Grant apart from the Early Years PPG.

5.3.2 The amounts per category for 2016/17 are:

PPG element	£
Free School Meals 'Ever 6' - Primary	1,320
Free School Meals 'Ever 6' - Secondary	935
Looked After Children	1,900
Formerly Looked After Children	1,900
Children of Service Personnel	300
Early Years PPG	300 (£0.53 per hour)

5.4 Universal Free School Meals for Infants

5.4.1 The DfE announced that, from September 2014, they will provide funding to enable schools to offer a free lunch to every Primary school child in Reception, Year 1 and Year 2 classes.

5.4.2 The additional revenue funding is based on schools achieving a take-up of 87% and the funding that has to be distributed to schools will be based on £2.30 per meal.

5.5 School Funding Issues

5.5.1 In recent months, the Chancellor of the Exchequer and the DfE have clearly stated there will be a real terms increase in school funding in 2016/17, using the GDP deflator as the basis for the increase. The GDP deflator is the HM Treasury's assessment of inflation affecting the UK economy as a whole.

5.5.2 The DfE's announcement just before Christmas 2015 shows **no increase in per pupil funding for 2016/17**, meaning it will be the same level as that in 2015/16.

5.5.3 This means the significant increases in costs will have to be funded from existing budgets and the Institute of Fiscal Studies have estimated that this could be between 5% and 8% of schools' total budgets.

5.5.4 The major increases in costs include –

- Pay awards for teachers and non-teachers; it is proposed that the latter could receive above the 1% pay awards announced for the public sector for the next 2 years
- Living Wage – approx 7% in 2016/17, rising to 34% by 2019/20
- Staff increments
- National Insurance changes – approx 2% increase on the paybill
- FYE Pension Increases
- Running costs, such as energy

5.5.5 There are 493 additional pupils over the numbers in the 2015/16 funding year, which will mean an extra £2 million of funding, but nearly all of this will be used in providing education for these increased numbers.

5.5.6 Deprivation – we principally use data from IDACI (Income Deprivation Affecting Children Index), which was last updated in 2010 when the economy was at a very low point (DfE's view).

The latest review that took place this year is based on a much improved economy and for many schools several of their pupils are now in the lower bandings.

This is resulting in some significant changes for a number of schools, with some of the largest 'losers' triggering funding from the per pupil Minimum Funding Guarantee.

5.5.7 Efficiencies – DfE want schools to achieve approx 2½% of their total budgets through efficiencies in 'back office' staff and procurement and not by savings on front-line staff.

The DfE will be advising schools and academies how these efficiencies can be achieved during 2016. The DfE views that these 'efficiencies' will offset some of the cost increases shown in paragraph 5.5.4.

5.6 Education Services Grant (ESG)

5.6.1 The ESG is provided to LA's and academies, who receive this funding to compensate them for the increased costs of the additional responsibilities they inherit from local authorities when they achieve academy status.

5.6.2 The ESG for LA's is being reduced by £10 from the £87 per pupil in 2015/16 to £77 per pupil in 2016/17. This equates to a £¼ million funding reduction to the Council.

5.6.3 Nationally this equates to approx £80 million throughout England and the Chancellor's recent Budget said that £600 million would be saved, which is assumed to be over the life of this Parliament rather than each year, by 2019/20. This indicates that the ESG will reduce by greater amounts in the next 3 financial years, beginning in 2017/18.

5.6.4 The services classified within the ESG that Bury spends money on are:

- Education Welfare Service/School Attendance
- School Improvement
- Asset Management
- Statutory & Regulatory duties

5.6.5 As more and more schools convert to academy status, then the ESG Bury currently receives is transferred to the academies, which is in addition to the reduced amounts that will occur during the next 3 years.

5.6.6 The DfE will shortly be consulting on what functions local authorities will be required to do in time for implementation for April 2017.

5.6.7 This will be at the same time as the National Funding Formula for schools will begin.

6.0 OPTIONS FOR BALANCING THE 2016/17 BUDGET

6.1 The table at 4.7.2 highlights the need to make ongoing cuts to service budgets totalling **£11.579** million in response to the Council's reduced funding position, and known pressures.

6.2 A priority led model has been used again for the 2016/17 budget and seeks to allocate initial cuts targets between services according to the following factors;

- Link to Council Priorities
- Cost of Doing Business
- Mandatory Provision
- Local Political Priority

6.3 In examining ways of achieving cuts, Cabinet Members and Directors have been asked to question:

- The number of services that they provide
- The quantity of each service
- The quality of each service
- Alternative ways of delivering each service including the use of volunteers
- Options for increasing income

6.4 Directors and Cabinet Members have also been mindful of the Council's new strategic ***"Vision, Purpose & Values"*** policy document in developing budget proposals;

- Change the public's expectations about what the Council can deliver
- Work more closely with individuals and communities to deliver services
- Provide a stronger focus on demand reduction
- Undertake an examination of alternative ways of delivering remaining Council services
- Change the way residents access services

6.5 The total proposed cuts for 2016/17 are summarised by Department in the table below (this now reflects the new Department structure, and savings created from the move from 4 to 3 departments):

Department	**2016/17 Cuts £m**
Communities & Wellbeing	6.021
Children, Young People & Culture	3.053
Resources & Regulation	2.505
Total	**11.579**

6.6 Cuts are summarised by category in the table below;

Area	Amount £m
Alternative Service Delivery Models	1.990
Grant Optimisation	1.450
Grants to the Voluntary Sector	0.150
Income Generation	1.600
Better Use of Buildings / Assets	0.150
Procurement Savings	1.788
Service Redesign	2.471
Staff Restructuring	1.780
Use of New Technology	0.200
	11.579

6.7 Further details are included in the "Information Pack" at Appendix 4, which formed the basis of resident / stakeholder consultation.

6.8 The next section of this report expands further upon the approach taken to the consultation process.

7.0 CONSULTATION PROCESS

7.1 A full budget consultation exercise ran from 10th December 2015 to 9th February 2016 as follows;

- Participation via the Council website
- In writing
- By email
- Over the phone
- At township forums meetings
- At staff briefings
- Via meetings with union reps and at JCC meetings
- Discussions with the BAME Forum
- Health & Wellbeing Board

7.2 In total, the consultation exercise has generated **XXXX** responses; summarised at Appendix 5.

7.3 The Council is proud of its record on consultation and actively seeks to engage with the public and services users. The results of the consultation exercise have been analysed and Members must give the "product" of consultation conscientious consideration when taking a decision.

7.4 The council's ongoing commitment to an open and transparent decision making process and consultation has allowed the council to involve the local community from the very start of the budget setting process and this approach supports the Council's values of 'putting residents first'.

8.0 RISK ASSESSMENT/ROBUSTNESS OF ESTIMATES

8.1 In line with the provisions of s25 of the Local Government Act 2003, the Interim Executive Director of Resources & Regulation as section 151 officer is required to make a statement about the robustness of the estimates made when setting the Council's budget.

8.2 In doing this, the section 151 officer 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

8.3 Corporate risks

8.3.1 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.

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

8.4 Risk implicit in specific areas of the budget

8.4.1 As far as income to the Council is concerned there are a number of key sources including Settlement Funding Assessment (Revenue Support Grant and locally retained business rates), Specific Grants, Council tax and fees and charges. In respect of Settlement Funding Assessment, the income stream is now known for the coming year, and indicative allocations have been provided for future years subject to the Council producing an Annual Efficiency Plan.

8.4.2 As far as expenditure is concerned, the areas of greatest risk in the budget are those that are subject to demand fluctuations.

8.4.3 The approach to managing the issues faced by the Children's Services and Adult Care Services budget has been strengthened in recent years with the relevant Star Chambers focussing on the current budgetary position / strategy, and also future developments (Adolescent Support Unit, Extra Care Schemes) that are aimed at reducing costs, managing risks and restructuring services and care packages.

8.4.4 However it is clear that pressures in these areas are unlikely to diminish due to increasing demands arising from an ageing population, from increasing client expectations and from transitional cases from Children's Services. 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.

8.4.5 Turning to income budgets, 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.

8.4.6 Council Tax collection is wholly within the control of the Council. The budgeted level of "in year" collection in 2016/17 is 97.05%, based on past, current and projected performance, and the heightened risk of collecting from empty properties and second homes. Collection rates will continue to be rigorously monitored, with particular emphasis on these areas and the Council Tax Support scheme.

8.4.7 Fees and charges (excluding Council House rents) are budgeted to raise over £50m of income in 2016/17 from almost a thousand sources. Of all the funding 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.

8.4.8 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 1% 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 1%.

8.4.9 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 Members.

8.4.10 It is clear from monitoring that has taken place during 2015/16 that the difficult economic climate continues to have a downward effect on various charging streams such as property services income, car park fees etc. It is important that this is considered by Members and Directors when the budget is set. There is provision within the minimum level of balances calculation to reflect this risk.

8.4.11 In terms of general expenditure budgets the single largest area of expenditure is on staff pay. There remains a clear indication from the Government that Local Authorities should continue to exercise pay restraint, and the 2016/17 proposed budget makes a 1% provision for a pay award. Members should note that there is a £0.9m provision within the Minimum Level of Balances (albeit on a one-off basis) to mitigate the impact in the event of a higher pay award; however the likelihood of this event has been downgraded to low.

8.4.12 An allowance has been built into the budget to contribute to the on-going cost of the minimum wage in terms of both the Council's pay bill, and the impact on bought in / commissioned services.

8.4.13 Staff account for a majority 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 (Transport/Waste/Environment Agency)

8.4.14 Supplies and services etc. account for around 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 and supported accommodation for children, the elderly and people with learning and physical disabilities. The draft budget assumes a cash freeze on the individual budgets for such items although provision has been made for unavoidable inflationary costs (e.g. contractual commitments).

8.4.15 The Council exercises sound Treasury Management practices in line with professional guidelines. 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 have been locked-in long-term (as far as prudence allows) at optimal market rates, so minimising risk. Members should note the increasing difficulty in securing a satisfactory interest yield as the number of institutions the Council can safely invest with is reducing. The Council has responded proactively to this through its Property Investment Strategy where the Council seeks to secure sustainable rental yields from investment in property.

8.4.16 For levies the budget has been set at the level recommended by the external bodies concerned.

8.5 Risks inherent in the budget strategy

8.5.1 There are specific risks inherent in the budget strategy relating to the radical overhaul of the system of Local Government Finance as follows;

- Many changes converged simultaneously, and within a very compressed timescale. Interpreting the impact and inter-action of these changes has been a significant challenge.

- The risk of raising and collecting business rates is now borne (49%) by the Council, and the local business rates yield now has a direct budgetary consequence. A prudent approach to the estimated yield has been adopted. This risk is set in to increase with the move to 100% Business Rates retention, however this move also presents opportunities to the Council if it is able to grow its Business Rates base.

- Similarly, the Council must now stand 49% of the cost of business rate appeals; this applies to appeals already lodged, and any that may be lodged in the future. Clearly the outcome of appeals is unknown, and cannot be estimated. The liability also has the potential to be backdated

as far back as 2005. Provision has been made within the budget to contribute to the cost of appeals.

- The localisation of Council Tax Support brings significant risks in the event that claimant numbers rise beyond the levels expected. A prudent approach has been taken in designing the Local Council Tax Support scheme.

8.5.2 In addition, other more general risks still apply

- The capacity of the Council to respond to the level of savings required whilst maintaining essential services could be compromised. Over 450 staff have left the organisation since 2010. This risk cannot be eliminated, however can be mitigated by the Council's proven track record on performance management.

- Savings targets may not be achieved. This risk is mitigated by rigorous financial control / budget monitoring. The Council has a strong record of delivering a balanced budget and achieving a favourable outturn position. This approach includes the use of Star Chambers which ensure both Portfolio Holders and managers have a clear understanding and ownership of the budget and pressures in their area.

- Budgets may overspend during the year as a result of unforeseen pressures, or demand outstripping the levels originally anticipated. The budgetary control framework will give early warning of this, allowing remedial action to be taken where possible.

- Assumptions may prove to be inaccurate due to external influences, e.g. national economic conditions

8.5.3 Given the robust nature of the budget strategy, the Council's strong record of performance and the strength of the budget monitoring process these risks are felt to be controlled for 2016/17. However it is important that this level of risk is mitigated and provision has therefore been made within balances to cover these items.

8.6 System of Internal Control

8.6.1 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 has commented favourably on the framework. The Governance Statement and the control framework have been regularly reviewed, most recently by the Audit Committee on 25 January 2016, and no major issues have been identified.

8.7 Conclusion

8.7.1 In light of the above the Interim Executive Director of Resources & Regulation has made the following comment on the robustness of the estimates:

8.7.2 "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.

8.7.3 However, the aim should be that the budget in total is sustainable and, subject to recessionary pressures/impacts being adequately assessed and resourced, then indications suggest that this is the case.

8.7.4 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 9 of this report). However the pace and scale of the current and future cuts in public spending are a major concern and this should be recognised in the approach adopted to the budget.

8.7.5 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 around the continued development of the Agresso system.

8.7.6 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.

8.7.7 This year's budget process continues to be frustrated by the significant changes to the system of Local Government Finance (e.g. Business Rates Retention), and the late announcement of the Council's funding settlement.

8.7.8 Finally, experience of past years has highlighted that a number of budgets face considerable pressure, particularly services reliant upon income generation, services for people with physical and learning Disabilities and out-of borough placements for children. It is essential that Members support the work of Star Chambers and that Members and management continue to implement the measures that have so far been identified.

8.7.9 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 then I as the section 151 Officer can state that I believe **the budget for 2016/17 to be robust.** This statement is in compliance with s25 of the Local Government Act 2003."

8.7.10 The Council maintains other reserves alongside the General Fund Balances, however these are earmarked locally for known pressures / liabilities. A number of earmarked reserves are also ring-fenced by statute; for example funds relating to specific grants which are subject to conditions.

9.0 ADEQUACY OF RESERVES

9.1 Under the terms of Part 2 of the Local Government Act 2003, when setting the Council Tax the authority's s151 officer (Interim Executive Director of Resources & Regulation) is required to report on the adequacy of the authority's financial reserves. The s151 officer 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.

9.2 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.

9.3 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

9.4 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

9.5 On **Boxing Day 2015**, widespread floods were experienced across the Borough; this involved considerable damage, loss of structures and flooding of numerous properties. In addition to the significant human impact upon residents and local businesses, the Council faces a financial burden in respect of reinstatement, and recovery / clean up. These costs are still being assessed at the time of writing.

9.6 The Council will be seeking to recover costs under the "Bellwin Scheme" and through wider Government support. The Bellwin scheme operates like an insurance policy, whereby the Council would be required to pay an "excess" amounting to approximately £250,000 before support is available.

9.7 It is proposed that this excess is funded from the minimum level of balances; reducing the amount held for the "Emergency Expenditure Cushion" from £480,000 to £230,000.

	Risk	£000
Pay inflation Cushion: This represents a sum equivalent to 1%; over and above the level provided for in the 2016/17 draft budget. It should be noted that Pay Awards represent an ongoing cost, whereas use of reserves is only a one-off measure.	L	900
Non-Pay inflation Cushion: Should inflation suddenly rise after the budget has been	M	900

set, this contingency assumes a 3.0% increase in inflation on non-discretionary items and that discretionary items will be kept within budget.		
Interest Cushion: Given the fact that the cost of borrowing budget reflects a baseline position in respect of interest rates, that borrowing has been locked in and that the Capital Programme requires no new borrowing then risk in this area is felt to be on the up-side especially with short-term investment rates at an historic low.	M	100
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	400
Business Rate Volatility Cushion: The Council now bears the risk for 49% of any changes in Business Rates yield (either through appeals, reliefs, or economic conditions). Historical analysis highlights the volatility of this income stream, and it is therefore prudent to provide a contingency.	H	100
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. Conversely, significant investment has been made into 'high risk' budgets and this has helped to mitigate this risk. This contingency is now based upon 2.0% of all "demand led" expenditure largely in the areas of Children's and Adult Care Services.	H	1,200
Budget Strategy Risk Cushion: There is always likely to be a level of uncertainty around the Authority's ability to achieve savings options; this provision allows for any slippage which is beyond the Council's control	M	1,250
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.	L	190

Contingency for smaller emergencies e.g. highway collapse.	L	190
TOTAL		**5,230**

9.8 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	L	60%	900	540
Non-pay inflation cushion	M	80%	900	720
Interest cushion	M	80%	100	80
Uncertainty of income	H	100%	400	400
Business Rate Volatility	H	100%	100	100
Demand led expenditure cushion	H	100%	1,200	1,200
Budget strategy cushion – savings	M	80%	1,250	1,000
Emergency expenditure cushion	L	60%	380	230
			5,230	**4,270**

9.9 This would set the minimum balance requirement for 2015/16 at **£4.270m.** The calculation made under the Golden Rules would lead to a minimum level of balances of £3.7m and it is recommended that Members agree to retain the minimum level of balances at the higher level of **£4.250m** (rounded), this being a decrease of £0.250 million from 2015/16.

9.10 The forecast position on the General Fund balance at 1 April 2016 is shown in the following table:

	£m
General Fund Balance 31 March 2015 per Accounts	**11.580**
Less : Minimum balances to be retained in 2015/16	-4.500
Less : Forecast overspend 2015/16	-0.604
Less : Earmarked to fund Equal Pay Settlements	-1.500
Forecast Available balances at 1 April 2016	**4.976**

9.11 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. FUTURE YEARS

10.1 Announcements from the Government confirm that the deficit reduction plan will continue for the remainder of the Parliament, and there will be sustained pressure on Public Service budgets, coupled with increasing demand pressures.

10.2 Forecasting the potential impact is extremely difficult, and compounded by non-controllable factors such as;

- Business Rate yield
- Business Rate appeals
- Incidence of Council Tax Benefit Claims
- Inflation (Pay & Prices)
- Interest Rates
- Demand led cost pressures

10.3 The settlement provides indicative allocations for future years (2017/18 – 2019/20). The Government has invited Local Authorities to accept these allocations (with caveats) subject to the preparation of an Annual Efficiency Plan. **Members are recommended to accept this offer** as whilst future funding cuts remain severe, the proposal offers a degree of certainty to facilitate longer term financial planning.

10.4 The Council's Medium Term Financial Strategy is currently being updated to reflect the position through to 2019/20.

10.5 Members are requested to be mindful of the challenges ahead when considering the 2016/17 Budget.

COUNCILLOR RISHI SHORI

DEPUTY LEADER OF THE COUNCIL &

CABINET MEMBER FOR FINANCE & HOUSING

For further information on the contents of this report, please contact:

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Capital Programme 2016/17 - 2018/19 (New funding allocations) **APPENDIX 1**

Project Title	3 YEAR TOTALS	2016/2017			2017/2018			2018/2019		
	Gross Cost £	Gross Cost £	External £	BC Cost £	Gross Cost £	External £	BC Cost £	Gross Cost £	External £	BC Cost £
CHILDREN AND YOUNG PEOPLE										
Basic need	2,287,109	2,287,109	2,287,109	0	0	0	0	0	0	
Devolved Formula Non-VA schools	499,500	499,500	499,500	0	0	0	0	0	0	
Capital Maintenance	2,600,000	2,600,000	2,600,000	0	0	0	0	0	0	
Radcliffe Hall - major development	800,000	800,000	800,000	0	0	0	0	0	0	
Development of Adolescent Support Unit	500,000	500,000	0	500,000	0	0	0	0	0	
CHILDREN AND YOUNG PEOPLE	**6,686,609**	**6,686,609**	**6,186,609**	**500,000**	**0**	**0**	**0**	**0**	**0**	
COMMNUNITIES AND WELLBEING										
Adult Personal Social Services Capital Allocation - Community Cap	455,000	455,000	455,000	0	0	0	0	0	0	
Grant Funded Major Adaptations - Private Housing -Disabled Facili	2,343,000	781,000	781,000	0	781,000	781,000	0	781,000	781,000	
Empty Properties – Purchase & Improvement	412,000	205,000	205,000	0	207,000	207,000	0	0	0	
General play area improvements	0	0	0	0	0	0	0	0	0	
COMMUNITIES AND WELLBEING	**3,210,000**	**1,441,000**	**1,441,000**	**0**	**988,000**	**988,000**	**0**	**781,000**	**781,000**	
RESOURCES AND REGULATION										
Radcliffe Bus Station (b/f 2015/16)	0	0	0	0	0	0	0	0	0	
A56 Corridor Prestwich (b/f 2015/16)	0	0	0	0	0	0	0	0	0	
Prestwich Town Centre (b/f 2015/16)	0	0	0	0	0	0	0	0	0	0
LTP H/ways Capital Maintenance	5,000,000	1,708,000	1,708,000	0	1,652,000	1,652,000	0	1,640,000	1,640,000	0
Minor Works Programme Active Travel	450,000	450,000	450,000	0	0	0	0	0	0	0
Kirklees Valley LNR - WIG	48,200	25,700	25,700	0	6,900	6,900	0	15,600	15,600	0
Cycle City Ambition Grant 2 - Radliffe	376,000	188,000	188,000	0	188,000	188,000	0	0	0	0
Capitalised Salaries	141,200	70,600	70,600	0	70,600	70,600	0	0	0	0
Refurbishment of the Met	1,000,000	1,000,000	0	1,000,000	0	0	0	0	0	0
RESOURCES AND REGULATION	**7,015,400**	**3,442,300**	**2,442,300**	**1,000,000**	**1,917,500**	**1,917,500**	**0**	**1,655,600**	**1,655,600**	**0**
HOUSING PUBLIC SECTOR										
Housing programme Major works (HRA funded)	7,885,700	7,885,700	7,885,700	0	0	0	0	0	0	0
Disabled Facilities Adaptations - Housing Stock (HRA funded)	571,500	571,500	571,500	0	0	0	0	0	0	0
HRA component modernisation Council approval	4,119,000	4,119,000	4,119,000	0	0	0	0	0	0	0
Play areas, street lighting and environmental improvements	0	0	0	0	0	0	0	0	0	0
HOUSING PUBLIC SECTOR	**12,576,200**	**12,576,200**	**12,576,200**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
FULLY FUNDED SCHEMES TOTAL	**29,488,209**	**24,146,109**	**22,646,109**	**1,500,000**	**2,905,500**	**2,905,500**	**0**	**2,436,600**	**2,436,600**	**0**
INVEST TO SAVE SCHEMES										
COMMUNITIES AND WELLBEING										
Street Lighting I2S	2,091,200	1,045,600	297,000	748,600	1,045,600	160,000	885,600	0	0	0
I2S SCHEMES TOTAL	**2,091,200**	**1,045,600**	**297,000**	**748,600**	**1,045,600**	**160,000**	**885,600**	**0**	**0**	**0**
PROPOSED CAPITAL PROGRAMME TOTAL	**31,579,409**	**25,191,709**	**22,943,109**	**2,248,600**	**3,951,100**	**3,065,500**	**885,600**	**2,436,600**	**2,436,600**	**0**

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APPENDIX 2

ADVICE FROM THE ASSISTANT DIRECTOR OF LEGAL & DEMOCRATIC SERVICES AND INTERIM EXECUTIVE DIRECTOR OF RESOURCES & REGULATION

1. INTRODUCTION

This note sets out in some detail Members' individual responsibilities to set a legal budget and how Members should approach the task.

It also reminds Members about the rules concerning personal and prejudicial interests.

The paper concludes with specific legal advice over aspects of the budget which potentially give rise to difficulties.

2. WHEN THE BUDGET MUST BE SET

Under Section 32 of the Local Government Finance Act 1992, budget calculations have to be made before 11th March, but they are not invalid merely because they are made on or after 11th March. The Localism Act 2011 includes amendments to the 1992 Act and requires the Council to calculate a Council Tax Requirement for the year, due to the referendum provisions if the Council Tax is increased above a prescribed level. However, delay in setting the Council Tax will have very serious financial consequences. It will render the Council vulnerable to legal proceedings requiring it to set the tax.

In any event, it is important that the tax is set well in advance of 1st April as no sum is payable for Council Tax until 14 days after the date of posting bills.

Serious financial losses will accrue very soon from a late setting of Council Tax as income is delayed and interest is foregone.

An important feature of Council Tax is that the statutory budget calculation must be followed exactly. If not, the Council Tax resolution will be invalid and void. Detailed advice will therefore be available at the Council meeting.

3. NOTICE

There is a requirement to publish notice of the amount set for Council Tax in at least one local paper within 21 days.

4. COUNCIL TAX REFERENDUM

Under the provisions of the Local Audit & Accountability Act, The Secretary of State has the power to require any billing or precepting Authority which sets an excessive Council Tax increase to hold a public referendum.

Any authority planning an excessive council tax increase will be required to prepare a 'shadow budget' based on the maximum non-excessive council tax increase allowed and they will also be required to inform the Secretary of State by notice.

The legislation requires the authority proposing the excessive increase ('the relevant authority') to prepare supporting factual material setting out the proposed council tax increase and budget, the comparative non-excessive council tax rise and shadow budget, and the estimated cost of holding the referendum. At the same time that bills are sent to council taxpayers, the billing authority will send this information, together with polling cards, to every registered local elector. Local councillors would of course be free to make the case for any excessive increase, but the relevant authority would be prohibited from campaigning on the issue.

If the proposed rise in council tax were rejected, the relevant authority would immediately adopt the shadow budget and transfers from the Collection Fund would be reduced accordingly. It would also be required to inform the Secretary of State by notice. The billing authority would be able to issue new bills immediately, offer refunds at the end of the year or allow credits against liability in the following year. However, consistent with existing legislation, billing authorities will be required to refund (and re-bill) any local resident who requests this.

5. MEMBERS' FIDUCIARY DUTIES

The obligation to set a balanced budget at the start of every year is shared equally by each individual Member. In discharging that obligation, Members owe a fiduciary duty to the Council Taxpayer.

The budget must not include expenditure on items which would fall outside the Council's powers. Expenditure on lawful items must be prudent, and any forecasts or assumptions such as rates of interest or inflation must themselves be rational. Power to spend money must be exercised bona fide for the purpose for which it is conferred and any ulterior motives risk a finding of illegality. In determining the Council's overall budget requirement, Members are bound to have regard to the level of Council Tax necessary to sustain it. Essentially the interests of the Council Taxpayer must be balanced against those of the various service recipients.

Within this overall framework, there is of course considerable scope for discretion. Members will bear in mind that in making the budget, commitments are being entered which will have an impact on future years. Some such commitments are susceptible to change in future years, such as staff numbers which are capable of upward or downward adjustment at any time. Other commitments however impose upon the Council future obligations which are binding and cannot be adjusted, such as loan charges to pay for capital schemes.

Only relevant and lawful factors may be taken into account and irrelevant factors must be ignored. A Member who votes in accordance with the

decision of his or her political group, but who does so after taking into account the relevant factors and professional advice, will be acting within the law.

Party loyalty and party policy are capable of being relevant considerations for the individual Member provided the member does not blindly toe the party line without considering the relevant factors and professional advice and without properly exercising any real discretion.

Under the Code of Conduct, members are required, when reaching decisions, to have regard to relevant advice from the Section 151 Officer and the Monitoring Officer. If the Council should fail to set a budget at all or fail to set a lawful budget, contrary to the advice of these two officers there may be a breach of the Code by individual members if it can be demonstrated that they have not had proper regard to the advice given.

6. ARREARS OF COUNCIL TAX AND VOTING

In accordance with section 106 of the Local Government Finance Act 1992, where a payment of Council Tax that a member is liable to make has been outstanding for two months or more at the time of a meeting, the Member must disclose the fact of their arrears (though they are not required to declare the amount) and cannot vote on any of the following matters if they are the subject of consideration at a meeting:

(a) Any decision relating to the administration or enforcement of Council Tax.

(b) Any budget calculation required by the Local Government Finance Act 1992 underlying the setting of the Council Tax.

(c) Any recommendation, resolution or other decision which might affect the making of the Annual Budget calculation.

Members should note the following points:

(i) These rules are extremely wide in scope. Virtually any Council decision which has financial implications is one which might affect the making of the budget underlying the Council Tax for next year and thus is caught.

(ii) The rules do not apply just to full Council meetings but extend to committees and sub-committees of the Council.

(iii) Members who make a declaration are not entitled to vote on the matter in question but are not prevented by the section from taking part in the discussion. However, where questions of enforcement are under consideration, Members with any arrears of Council Tax are likely to have a prejudicial interest under the Code of Conduct.

In these circumstances Members are disentitled from taking part in discussions as well as from voting, and must declare an interest whether or not their arrears have been outstanding for two months and must leave the room.

(iv) Members will have a defence under section 106 if they did not know that the section applied to them (i.e., that they were in arrears to the relevant extent) at the time of the meeting. Thus unwitting Members who for example can prove that they did not know and had no reason to suppose at the time of the meeting that their bank has failed to honour a standing order will be protected should any prosecution arise.

(v) It is not enough to state that a benefit application has been submitted which has not yet been determined, as Members remain liable to pay pending determination.

7. DISCLOSABLE PECUNIARY INTERESTS

Members are reminded that a dispensation was granted to all Members allowing them to participate and vote on setting the Council Tax or precepts under the Local Government Finance Act, notwithstanding that they may have a disclosable pecuniary interest by reason of having any beneficial interest in land within the Borough.

Personal and Prejudicial Interests

Under the Code of Conduct, a member will have a personal interest in an item of business if a decision in relation to that business might reasonably be regarded as affecting his or her well-being or financial position or the wellbeing or financial position of a relevant person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the electoral division or ward, as the case may be, affected by the decision.

Any member with such an interest will, generally, have to declare that interest at the start of the agenda item. However, if the business of the meeting relates to or is likely to affect any of the following categories of people then you need only disclose to the meeting the existence and nature of that interest if you actually address the meeting on that business:

i) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your authority;

ii) any body exercising functions of a public nature.

A personal interest will also be a prejudicial interest, if it is one that members of the public, knowing the facts, would reasonably regard as so significant as to be likely to prejudice the Member’s judgement of the public interest.

However, under the Code, a member will not have a prejudicial interest if the business under consideration — (a) does not affect your financial

position or the financial position of a connected person (listed in paragraph 8 of the Code) nor (b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any connected person or body. (There are other specified exemptions relating to school meals, council tenancies, allowances, etc).

If a member does have a prejudicial interest then the Member concerned must withdraw from the meeting and leave the room.

Members should seek early advice to avoid any confusion on the night of the meeting.

Dispensations

Dispensations are available in respect of prejudicial interests under the Code of Conduct but only in very limited circumstance and only from the Standards Committee. The Standards Committee can only meet on 5 clear days notice and, unless certified as urgent, business can only be transacted if 5 clear days notice of it has been given.

8. RESPONSIBILITIES OF CHIEF FINANCIAL OFFICER AND AUDITORS' POWERS

Section 151 Officer and Monitoring Officer

Section 114 of the Local Government Finance Act 1988 places the Section 151 Officer under an obligation to prepare a report (to full Council) if it appears to him that the expenditure the Authority proposes to incur in a financial year is likely to exceed its resources available to meet that expenditure. A failure to take note and act on such a report could lead to a complaint. Similarly, the Council's Monitoring Officer is required to report to full Council if it appears to her that a decision has been or is about to be taken which is or would be unlawful or would be likely to lead to maladministration.

Under section 25 of the Local Government Act 2003 the Section 151 Officer is now required to report to the authority on the robustness of the estimates made for the purposes of the calculations required to be made by the Council. These are the estimates which the Cabinet is required to determine and submit to Full Council and are contained within this report.

However, if the Council were minded to agree a budget based on different estimates e.g. if Council did not agree with the estimates provided by the Leader/Cabinet then those estimates which the Council would adopt would effectively become 'the estimates' for the purpose of Section 25 and as such should be subject to a report by the Section 151 Officer.

External Auditors' Powers

Section 91 of the Local Government Act 2000 provides that an External Auditor may issue an "Advisory Notice" if he has reason to believe that an Authority is about to take a course of action which, if pursued to conclusion, would be unlawful and likely to cause a loss or deficiency. This power is to be used where the matter is significant either in amount or in principle or both. While the advisory notice has effect it is not lawful for the authority to implement or take the course of action in question unless it has considered the issues raised in the notice and given the auditor notice that it intends to proceed with that course of action in a specified period and that period has expired.

In addition, it is also open to the Auditor to apply for judicial review on any decision of an Authority or failure to act which it is reasonable to believe would have an effect on the accounts of an Authority.

9. SPECIFIC BUDGET ADVICE

Balances and Other Budget Calculations

A local authority must budget so as to give a reasonable degree of certainty as to the maintenance of its services. In particular local authorities are required by section 32 of the Local Government Finance Act 1992 to calculate as part of their overall budget, what amounts are appropriate for contingencies and reserves. The Council faces various contingent liabilities set out in the main budget report. Furthermore the Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. Members will need to pay careful attention to the advice of officers here.

In addition to advising on the robustness of the estimates as set out above, the Section 151 Officer is also required to report on the robustness of the proposed financial reserves. The same advice applies to these as to the other calculations required to be made by the Council. The Section 151 Officer's view of the level of reserves is contained within the report.

(Having considered the officer's report the Council is then required to *"have regard to the report"* but it is not required to adopt the recommendations in it. However, Members must demonstrate they have acted reasonably if they do not adopt the recommendations).

Alternative Proposals

If alternative proposals to those contained in this report are moved at the budget setting meeting, the Section 151 Officer will need to consider if the estimates or proposed financial reserves contained in this report are affected and whether a further report (which may be oral) is required under section 25 of the Local Government Act 2003. If the Section 151 Officer is unable to report on the estimates or the reserves because of the lateness of the alternative proposals then he will not be able to comply with this statutory requirement. The Act does not say what happens if this duty is not fulfilled and nor does it say whether the Council can set the

budget without that advice. It follows from this then that there is no express statutory prohibition. However, the authority is at risk of a Judicial Review by an interested person e.g. a resident or the Audit Commission if the Council has failed to have regard to a report of the Section 151 Officer on the estimates and reserves used for its budget calculations.

Expenditure Charged to the Housing Revenue Account

Members will be aware that the Housing Revenue Account (HRA) is by law to be maintained separately from the General Fund and there are strict rules which determine to which account any expenditure must be charged. There are only very limited areas of discretion here. Members should bear in mind that if they wished to review any current determination which affects the apportionment of charges between the General Fund and HRA, they would need to do so on the basis of an officers' report and specific legal advice. The Housing Revenue Account must be maintained in balance throughout the year by Section 76 Local Government and Housing Act 1989.

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APPENDIX 3

GLOSSARY OF TERMS

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. 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 income is now shared 50:50 between Government and Local Authorities.

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, exemptions and the Local Council Tax Support scheme.

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.

Council Tax Referendum
Under the provisions of the Local Audit & Accountability Act, The Secretary of State has the power to require any billing or precepting Authority which sets an excessive Council Tax increase to hold a public referendum (see Appendix 2).

Net Revenue Expenditure (NRE)
This represents an authority's budget requirement and use of reserves.

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 grant, locally retained business rates, 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.

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.

Settlement Funding Assessment
A combination of Business Rates Baseline, Top Up, and Revenue Support Grant are which essentially represents the Authority's baseline income for the year – before Council Tax.

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

Spending Power
The combined income for the Council - includes Settlement Funding Assessment, Council Tax income, and other specific grants. It should be noted that Specific Grants are conditional, and not available to support the wider Council Budget.

Draft Budget Cuts Programme 2016-17
Information Pack

Published December 2015

Bury COUNCIL

Introduction

Welcome to our 2016/17 Budget Information Pack which provides more information about our proposals to address the cuts the Council is required to make. It provides answers to a series of questions and helps you to consider the different options in more detail.

Preparing for the 2016/17 Budget has been particularly challenging as we have very limited information regarding the level of Government funding we are likely to receive.

Normally, we receive indicative allocations from Government in the summer, however this year the process has been delayed to allow for the Chancellor's Comprehensive Spending Review. It is likely to be mid-December before we get clarity of Bury's grant allocations for 2016/17.

A 30% cut to Local Government funding over a four year period has been reported, however it is not clear at this stage how these cuts will be spread over the four years.

We **estimate** that we will have to find cuts in of nearly **£15.5 million** for 2016/17; this is on top of cuts of **£54 million** that we have already had to make since 2010.

We believe we can mitigate the scale of this reduction through measures we already have in place, including;

- Generating income from our investments
- Securing additional funding
- Ensuring levies from other bodies (e.g. waste & transport) are kept to a minimum

Taking these measures into account, we estimate that service cuts of **£11.6 million** will be required.

The purpose of this document is to seek your views on our proposals.

There is no doubt that sustained cuts of this level this will have serious consequences for our Borough and for the many services we provide and which so many people rely on.

We feel strongly that Bury is treated unfairly by the way that the Government distributes its money because many similar Councils receive significantly more funding per head, and have historically experienced lower grant reductions. We continue to lobby the Government on your behalf about this under our **"Fair Deal for Bury"** campaign.

Despite this we will continue to look to balance our books by doing things differently, by prioritising services, by focussing on people with greatest need and by striving for yet more efficiency savings. We have continued to invest in the borough and substantial progress is being made on redeveloping Radcliffe Town Centre, improving our roads, providing better facilities for older people and protecting our children through the use of 20mph zones.

We will do all that we can to reduce the impact of the cuts, particularly on our most vulnerable residents, and try to offer alternative arrangements where we can.

Please let us have your views on the proposals set out in this document by **9th February 2016**. Final proposals for savings will be published prior to the Council meeting on **24th February 2016** where the Budget will be formally set.

This is a public meeting and you are most welcome to attend.

	Councillor Mike Connolly Leader of the Council		Councillor Rishi Shori Deputy Leader of the Council Cabinet Member for Finance & Housing

The Council is changing….and we need your help

This is what we have done.

- Reduced from 4 to 3 departments; reducing management and administration costs, and creating more "joined up" services
- 30% reduction in management posts since 2010
- Fewer staff – over 400 employees have left the Council since 2010 largely through voluntary arrangements
- Made cuts of £54 million since 2010 (out of a controllable net budget of £100m). These have largely been through efficiencies / working differently, maintaining front-line services where possible
- Self management of facilities e.g. sports and leisure facilities
- "Digital by Default", e.g. we have introduced a new transactional website to make services more accessible to residents (24 hours) and reduce running costs
- 3 weekly waste management collections; improving recycling rates and reducing waste disposal costs

As the Council faces further cuts, the challenges of maintaining services and addressing demand become increasingly difficult, and cannot be addressed alone.

We now need the help of our residents and communities e.g. creating less litter, promoting more self care and self ownership of issues, prevention, and taking responsibility for their actions.

Changing the expectations about what the Council can deliver – In the future, the Council will not be able to meet all the public's needs/expectations or be able to deliver services at the quantity/quality/standard that we currently provide. The Council will need to be up-front about the need to cut services, spell out why levels of service are reducing, develop more targeted services or in some circumstances stop delivering services altogether.

Working more closely with individuals and communities to deliver services – The Council will not be organisationally or financially able to meet all service needs in the future and therefore will need to work with individuals and communities to encourage them where possible to undertake more for themselves. This is an approach that we will need to consider across all the Council's services.

This approach builds on the very long standing and successful 'self management' partnerships operating for bowling greens, football pitches, allotments and other leisure facilities such as Gymnastics and Burrs Activity Centre. More of this approach is needed and involves engaging and encouraging a greater partnership between the Council and voluntary community groups in providing services in their area. Over the coming period we will be working with 3rd Sector partners to develop a new and comprehensive Strategy that will support a transformation of this important area.

Stronger focus on demand reduction - Part of the principles behind Public Service Reform is to manage the demand for services, reduce this demand where possible and to identify more cost effective ways of meeting the demands that remain. We have had some success for example through the changes we made in the refuse collection arrangements which has changed people's attitude towards recycling and helped the Council reduce the expensive costs of tipping rubbish into landfill.

Can we do more for less? – Bury Council, its Members and employees have and continue to work miracles in delivering services with less resources and at lower cost.

Over the coming period we must redouble our efforts to ensure the services we directly provide are securing value for money and are delivered in the most effective way as I know our residents would expect this. This will mean doing things differently to the way we have always delivered services; **No change** is not an option for us!

Changing the way Residents access services

Bury Council has been trying to widen access options in addition to providing very traditional ways residents access services and secure information about services. Whilst there have been developments with the Council's web site to move to become a 24/7 Council access is still primarily through face to face contact and telephone.

The challenge for us is that we need to offer a wider range of 'self service' remote options similar to the high street experience so familiar to many of our residents, such as booking holidays, on-line shopping, and banking. In a post 2015 environment the Council will have to look to becoming a 'virtual' Council where the 'high street' experience of 'self service' using smart technology becomes mainstream, whilst still offering the traditional options, but these, because of affordability, will have to steadily reduce over time.

Invest to Save

The Council has and will continue to explore opportunities for growth and reduce its costs through the promotion of innovative service alternatives or develop new service offers. For example through Invest to Save, over £1m has been saved through directly employing a small resource to market and promote Fostering and Adoption Services.

Other examples are where the Council leads on generating income for our customers or partner organisations – over £2m has been generated for customers through benefits advice linked to financial assessment services in respect of adult care, a proportion of which becomes income for the Council too.

Bury is the leading authority in the development of charging for loaning out major artworks to International Exhibitors in the Far East. With a small resource to market and put together exhibitions on behalf of Greater Manchester Councils, thousands of pounds of fee income has been generated.

In growth terms the development of Tourism and Culture offers, Bury has seen a transformation as a destination and a place where artists and performers want to come to Bury. Tourism spend is increasing along with hotel stays which in turn helps local businesses and where future investors see Bury in a positive light.

Our Vision, Purpose and Values

Earlier this year, the Council launched its new 'Vision, Purpose and Values' document, which supports the changes that will need to take place in the way the Council works in the future. The document focuses on six Corporate Priorities for 2015-2020:

1. Drive forward, through effective marketing and information, proactive engagement with **the people of Bury to take ownership of their own health and wellbeing**
2. Continue to **develop business friendly policies to attract inward investment** and new jobs so that Bury retains its position as a premier destination for retail, leisure, tourism and culture
3. **Ensure new and affordable housing is developed** to support growth in the Bury and Greater Manchester economy
4. Build on the culture of efficiency and effectiveness through new, progressive and integrated partnership working models **to drive forward the Council's and Greater Manchester Public Service growth and reform agenda**
5. **Ensure staff have the right skills to embrace significant organisational change,** through embedding a culture of ownership, empowerment and decision making at all levels of the organisation
6. Work **toward reducing reliance on government funding** by developing new models of delivery that are affordable, add value and based on need

Key Facts

- The Council operates over **113** different service areas.
- We serve a population of **186,200** people.
- We provide services to **82,000** individual households.
- We currently have approximately **3,400** FTE staff (this excludes teaching staff in schools).
- Over **400** staff have left the organisation since 2011 as a result of cuts in funding.
- Our current Net Budget is **£128.6 million**.
- The table below shows that we will have had to make cuts totalling nearly **£70 million** since 2010.

Year	**Cut (£ million)**
2011/12	9.6
2012/13	8.7
2013/14	9.9
2014/15	9.7
2015/16	15.8
2016/17	15.5 (tbc)
Total	**69.2**

Summary of Changes

We have summarised the proposed changes into the following categories;

Category	Explanation	Amount
Alternative Service Delivery Models	We will develop new models of service delivery to ensure that service outcomes are maintained. This will include new approaches to staffing and the use of buildings.	£1.990 million
Grant Optimisation	We will maximise the benefit to the Council from new and existing grant funding opportunities.	£1.450 million
Grants to Voluntary Sector	We will review how the Council operates with the Voluntary Sector, reviewing grants to ensure that key outcomes are achieved.	£0.150 million
Income Generation	We will further develop existing income streams and identify new sources of income.	£1.600 million
Better Use of Buildings / Assets	We will continue to review our asset base ensuring the optimum use and financial return.	£0.150 million
Procurement Savings	We will review the way we buy goods and services and continue to strive for best value.	£1.788 million
Service Redesign	Given the scale of cuts facing the Council, it is inevitable that some services will be reduced in quality, frequency, or even stop altogether. Where this happens we will work closely with service users to identify alternative means of provision.	£2.471 million
Staff Restructuring	Staffing is a significant cost for the Council as most of our services rely on people to deliver them. Equally staff are our greatest asset, and we rely heavily on commitment and goodwill at times when budgets are being cut. We will continue to review staffing structures and ensure that operational processes are as efficient as possible.	£1.780 million
Use of New Technology	We will continue to make use of new technology, to ensure our services operate efficiently and are accessible to all.	£0.200 million
TOTAL		**£11.579 million**

Frequently Asked Questions

What happened to the "Plan for Change" ?

This is the most financially challenging time for Local Authorities across the country in our history. Bury, unfortunately, is no exception and we have already been forced to make massive cuts year on year. We are trying our hardest to protect front line services and identify more efficient ways of working but as the cuts increase, this is becoming increasingly difficult.

The Plan for Change was a three year plan covering the period 2012-2015. For 2015/16 and 2016/17, however, budgets have been set as a one year exercise given the limited availability of funding information.

For future years, we will seek to develop longer term strategies in line with the Council's new "Vision, Purpose & Values" policy document.

How much more money does the Council have to find ?

We initially estimated that we would need to make cuts of £15.5 million in 2016/17.

This can be mitigated to a degree through prudent financial management, however we still anticipate having to make service cuts totalling £11.6 million – these are outlined for consultation within this pack.

In addition to reduced funding, the Council faces pressures e.g. Customer demand, inflation, increments, and levies from other bodies. Finally we still face considerable uncertainty following the localisation of Business Rates – where we currently share income (and losses) with the Government.

Ultimately, we understand the Council will retain all business rates income, however Central Government support will be phased out completely. We continue to monitor this situation.

Will there be further cuts ?

The 2016/17 cuts requirement can only be based upon estimated figures, given the lack of any funding information from the Government; we do not expect to receive this until December 2015.

It therefore remains a possibility that further cuts could be required for 2016/17.

Going forward, it is a certainty that further cuts will be required.

It is reported that the Chancellor is seeking further cuts of 30% to Local Government over the next four years, however the timing / profiling of these cuts is unknown at present.

How is work progressing towards achieving savings for Internal Efficiencies ?

Wherever possible so far, we have maintained front-line services and achieved cuts through internal efficiency savings and new service delivery models.

We will continue with this approach, however, given the level of savings made to date this is becoming increasingly difficult and we are now at the point where real service reductions are inevitable.

What is the difference between back office and front line services ?

We use these terms to show the difference between those services which directly work with or relate to our residents (front line), for example children's centres or leisure centres, and those which are needed to make sure the organisation works well (back office), for example, financial management.

How are you supporting staff through this process ?

We have put in place a range of support for staff including:

- Now and Next – we have a dedicated resource area on the intranet where employees can find out more information about training opportunities, CV skills, interview techniques and apply for jobs.
- Redeployment – staff who are facing redundancy are prioritised and either matched with suitable vacancies or given the opportunity to apply for vacant posts across the Council when they occur. This takes place before jobs are advertised internally.
- Voluntary Severance, Voluntary Early Retirement and Flexible Retirement – we have offered staff a range of options to allow us to make efficiencies and changes to the organisation.

How can I get involved in the consultation?

- Attend a public meeting – dates of the Township Forum meetings are on the website www.bury.gov.uk/Budget201617 and will be promoted in the local media.
- Read the proposals and comment online at www.bury.gov.uk/Budget201617
- Read the information at your local library and send in your comments
- Call us 0161 253 5371
- Email Budget201617@bury.gov.uk
- Write to us at Budget201617, Bury Council, Knowsley Street, Bury, BL9 OSW to leave your comments or request a hard copy of the proposals.

What are the next steps in the budget consultation process?

We are consulting on all the proposals until 9th February 2016.

The comments and feedback will then be analysed before final proposals are taken to Budget Council on 24th February 2016.

The Budget Council is a public meeting which members of the public can attend. It takes place in the Council Chamber at Bury Town Hall.

Alternative Service Delivery Models

We will develop new models of service delivery to ensure that service resilience and sustainable outcomes are maintained. This will include new approaches to staffing and the use of buildings.	**£1.990 million**

Why are we making these proposals ?

The Council is seeking to examine alternative ways of delivering remaining Council services and change the expectations about what the Council can deliver.

What changes are we undertaking to meet these Cuts ?

The Council is seeking to examine alternative ways of delivering remaining Council services, ensuring they are fit for purpose and sustainable and to help service users be better informed about what the Council is able to deliver.

What changes are we undertaking to meet these Cuts ?

Building upon the recent launch of our Local Authority Trading Company (LATCo), "Persona Care Limited", we will be exploring other service areas across the Council where this service model can be applied.

Will front line services be affected – what changes will residents see and when will this take place ?

Cuts to any budget will inevitability impact on services and these proposals will see a reduction in capacity and an increase in waiting times.

We will seek to maintain service outcomes, however the delivery mechanisms will be different and more targeted.

Will any geographical area be particularly affected by this proposal ?

All geographical areas would be affected.

What back office changes are proposed to achieve this target and minimise impact on front line services ?

Management and administrative processes will be examined as part of this proposal and further efficiencies targeted.

Does this mean additional charges for services ?

We aim to achieve the saving through reductions in cost, however increased charges will be made where it is appropriate and necessary to do so.

Does this budget proposal affect staffing ?

As in previous years we will seek to manage any job losses, in the first instance, on a voluntary basis, however compulsory redundancies may be necessary. Where there are compulsory redundancies, every effort will be made to facilitate redeployment for affected individuals.

Will I be consulted on how these changes affect my personal circumstances ?

Yes. We would welcome views regarding these proposals.

Grant Optimisation

We will maximise the benefit to the Council from new and existing grant funding opportunities	**£1.450 million**

Why are we making these proposals ?

We will continue to be innovative in the way we use existing Grant Funding, and we will continue to explore new funding opportunities.

What changes are we undertaking to meet these Cuts ?

Public Health- We will be reviewing how we utilise grant monies allocated for Public Health to ensure we get the maximum benefit for residents.

Children & Young People - We will make more effective use of grant funding available for young people.

Economic Development – we will seek to access more European Funding to assist with the regeneration of the

Will any geographical area be particularly affected by this proposal ?

All geographical areas would be affected.

What back office changes are proposed to achieve this target and minimise impact on front line services ?

More effective use of external funding should reduce the impact of cuts on front line services.

A risk remains that some of grants may not be available in future years.

Does this mean additional charges for this service ?

We aim to achieve the cut through better use of grant funding, however, charges will be made where it is appropriate and necessary to do so.

Does this budget proposal affect staffing ?

There are no direct staffing implications from these proposals.

Will I be consulted on these changes ?

Yes. We would welcome your views regarding these changes.

Grants to Voluntary Sector

We will review how the Council operates with the Voluntary Sector, reviewing grants to ensure that key outcomes are achieved.	**£150,000**

Why are we proposing these Cuts ?

To review the relationship between the Council, the Community and the Voluntary Sector.

What changes are we undertaking to meet these Cuts ?

We will review funding to the voluntary sector, with a greater focus on outcomes that support the Council's priorities.

Will front line services be affected – what changes will residents see and when will this take place ?

We will seek to maintain service outcomes, and opportunities for the Community to engage with the Council, however the delivery mechanisms may be different.

Will any geographical area be particularly affected by this proposal ?

All geographical areas would be affected.

What back office changes are proposed to achieve this target and minimise impact on front line services ?

Management and administrative processes will be examined as part of this proposal.

Does this mean additional charges for this service ?

This service area does not currently levy charges, however charges will be made where it is appropriate and necessary to do so.

Does this budget proposal affect staffing ?

To be determined.

Will I be consulted on how these changes affect my voluntary group or individually ?

Yes. We would welcome any views regarding these changes.

Income Generation

We will further develop existing income streams and identify new sources of income.	**£1.600 million**

Why are we making these proposals ?

We will build on existing sources of income, and identify new sources of sustainable income where possible.

What changes are we undertaking to meet these Cuts ?

We will review the potential for all services to generate new / additional income.

We will ensure we continue to offer quality services to partner organisations at affordable prices under "buy-back arrangements".

Additional income will be generated through more robust enforcement activity.

The Council's Treasury Management Strategy will continue to contribute to this element of the proposals.

We will seek to generate sustainable sources of income under our "Property Investment Strategy".

Will front line services be affected – what changes will residents see and when will this take place ?

We will seek to maintain current service provision in these areas – funded by additional income being generated.

Will any geographical area be particularly affected by this proposal ?

All geographical areas would be affected.

What back office changes are proposed to achieve this target and minimise impact on front line services ?

Management and administrative processes will be reviewed to ensure maximization of income.

Does this mean additional charges for this service ?

The primary focus will be on identifying new customers and generating additional income but increased charges to cover costs cannot be ruled out.

Does this budget proposal affect staffing ?

There are no direct staffing implications from these proposals.

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Can other suggestions to improve income be made ?

Yes. We would welcome any suggestion that would result in the Council securing increased levels of income.

Better Use of Buildings / Assets

We will continue to review our asset base ensuring the optimum use and financial return.	**£150,000**

Why are we proposing these Cuts ?

The Council manages a large portfolio of assets which we continually review to ensure the best use and financial return.

What changes are we undertaking to meet these Cuts ?

Under-utilised assets will be reconfigured / disposed of - resulting in reduced running costs.

We recognise that this sometimes takes time and the Council's own financial rules permit a temporary use of balances pending review / development of new facilities, or disposal of assets.

Will front line services be affected – what changes will residents see and when will this take place ?

Underperforming assets may be subject to change of use / disposal.

Will any geographical area be particularly affected by this proposal ?

Not known at this stage, however assets will be examined "Borough wide".

What back office changes are proposed to achieve this target and minimise impact on front line services ?

We will ensure that our back office functions facilitate effective and responsive management of our assets.

Does this mean additional charges for this service ?

The income generating capacity of assets will be examined.

Does this budget proposal affect staffing ?

As in previous years, we will seek to manage any job losses.

Can I still comment on these proposals ?

Yes. We would like your views regarding these changes.

Procurement Savings

We will review the way we buy goods and services and continue to strive for best value.	**£1.788 million**

Why are we making these proposals ?

A large proportion of the Council's budget is spent on buying goods and services. We already have a strong track record of effective procurement and will be seeking to build upon this.

What changes are we undertaking to meet these Cuts ?

Re-tendering of existing contracts will be undertaken to ensure Value for Money, and clarity of outcomes.

Will front line services be affected – what changes will residents see and when will this take place ?

It is unlikely that improved procurement savings will impact on service outcomes.

Will any geographical area be particularly affected by this proposal ?

Savings will relate to all areas.

What back office changes are proposed to achieve this target and minimise impact on front line services ?

We continue to make effective use of the latest procurement techniques and undertake joint exercises with other Greater Manchester Authorities where appropriate.

Does this mean additional charges for this service ?

No.

Does this budget proposal affect staffing ?

There are no direct staffing implications from these proposals.

Can other suggestions to reduce procurement costs be made ?

Yes. We would welcome any suggestions that would result in the Council reducing its costs.

Service Redesign

Given the scale of cuts facing the Council, it is inevitable that some services will be reduced in quality, frequency, or even stopped altogether. Where this happens we will work closely with service users to identify alternative means of provision.	**£2.471 million**

Why are we proposing these Cuts ?

This is the most challenging category of these proposals; whilst we strive to make efficiency savings where possible, the scale of cuts is such that some services will see reduced levels of provision.

What changes are we undertaking to meet these Cuts ?

In light of the recent Greater Manchester Devolution Agreement, we will work jointly with NHS colleagues to redesign Health & Social Care Services to ensure the health and wellbeing of residents.

Services will be more "joined up" and promote awareness and self-care.

By working closer together we aim to secure "economies of scale".

We will make better use of community assets across partner organisations.

We will undertake reviews of management and admin arrangements across services

Will front line services be affected – what changes will residents see and when will this take place ?

Yes; there will be noticeable changes to some of the above service areas, and this will start from April 2016.

Will any geographical area be particularly affected by this proposal ?

All geographical areas would be affected.

What back office changes are proposed to achieve this target and minimise impact on front line services ?

Management and administrative processes will be examined as part of this proposal.

Does this mean additional charges for this service ?

No.

Does this budget proposal affect staffing ?

There may be job losses. We will seek to achieve this on a voluntary basis in the first instance, however compulsory redundancies may be necessary. Where there are compulsory redundancies, every effort will be made to facilitate redeployment for affected individuals.

Can I comment on these proposals ?

Any proposals will, in the first instance, be discussed with affected staff before consulting more widely.

Staff Restructuring

Staffing is a significant cost for the Council as most of our services rely on people to deliver them. Equally staff are our greatest asset, and we rely heavily on commitment and goodwill at times when budgets are being cut. We will continue to review staffing structures and ensure that operational processes are as efficient as possible.	**£1.780 million**

Why are we proposing these Cuts ?

Staffing is a key element to all services. We need to continually review structures to ensure they are fit for purpose and sustainable.

What changes are we undertaking to meet these Cuts ?

We will review front line services to ensure cuts to services are minimised, but they will have to operate within reduced budgets.

We will make greater use of volunteers in some service areas.

Further restructuring will take place in back office services where a large number of senior staff have already left the organisation under voluntary redundancy / early retirement options.

Management savings have already been made by the transition from 4 to 3 departments.

There are no changes to staff Terms and Conditions in 2016/17.

Will front line services be affected – what changes will residents see and when will this take place ?

There may well be a reduction in the standard of service – e.g. longer processing / response times, more emphasis on self service. We will use the latest technology to mitigate this impact.

Will any geographical area be particularly affected by this proposal ?

All geographical areas would be affected.

What back office changes are proposed to achieve this target and minimise impact on front line services ?

Improved use of technology, e.g. the Council's new transactional web site

Greater flexibility in job roles / multi-skilling

More sharing of staff between service areas

Continued development of Apprenticeship schemes

Does this mean additional charges for this service ?

No.

Does this budget proposal affect staffing ?

Inevitably, resources will have to be reduced as further rationalisation takes place. Over 400 staff have already left (or have agreed to leave) the organisation. Potentially there will be further job losses and we would seek to achieve this on a voluntary basis in the first instance, however compulsory redundancies may be necessary. Where there are compulsory redundancies, every effort will be made to help people find redeployment opportunities.

Through training and development the future focus has to be the introduction of a range of skills and upskilling and re-training where appropriate to achieve successful outcomes in this crucial area.

Can I still make contact face -to-face or over the phone about these proposals ?

Yes. Any proposals will, in the first instance, be discussed with affected staff before consulting more widely.

Use of New Technology

We will continue to make use of new technology, to ensure our services operate efficiently and are accessible to all.	**£200,000**

Why are we proposing these Cuts ?

We will continue to invest in and develop new technologies to make services more efficient and accessible.

What changes are we undertaking to meet these Cuts ?

We will develop new technology to assess the care needs of customers.

We will make greater use of assistive technology to ensure people can remain in their own homes for longer and reduce demands upon Social Care budgets.

Will front line services be affected – what changes will residents see and when will this take place ?

Customers should see more streamlined assessment processes.

An enhanced range of assistive technology will be available.

Use of new technology will be key to service redesign and development alternative service delivery models

We will encourage services to operate "digitally by default" through the Council's new transactional website; allowing residents to undertake transactions 24/7.

Will any geographical area be particularly affected by this proposal ?

All geographical areas would be affected.

What back of office changes are proposed to achieve this target and minimise impact on front line services ?

Back office services will be reconfigured to support the roll out of new technology / IT systems.

Does this mean additional charges for this service ?

Potentially, where additional support / equipment is made available to residents.

Does this budget proposal affect staffing ?

There are no direct staffing implications from these proposals.

Can I still comment on these changes ?

Yes – any feedback / suggestions are welcome.

Agenda Item 7

REPORT FOR DECISION

Bury COUNCIL

Agenda Item	

MEETING:	**OVERVIEW AND SCRUTINY COMMITTEE** **CABINET** **COUNCIL**
DATE:	**11 FEBRUARY 2016** **24 FEBRUARY 2016** **24 FEBRUARY 2016**
SUBJECT:	**DRAFT HOUSING REVENUE ACCOUNT 2016/17**
REPORT FROM:	**DEPUTY LEADER OF THE COUNCIL AND CABINET MEMBER FOR FINANCE AND HOUSING**
CONTACT OFFICER:	**STEPHEN KENYON, INTERIM EXECUTIVE DIRECTOR OF RESOURCES AND REGULATION**
TYPE OF DECISION:	**COUNCIL**
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain
SUMMARY:	The report details the proposed Housing Revenue Account for 2016/17 and proposals for Dwelling and Garage rents, Sheltered Support, Management, Amenities and Heating charges, Furnished Tenancy charges and Fernhill Caravan site tenancy charges.
OPTIONS & RECOMMENDED OPTION	The report is prepared on the basis of the Government's requirement for a decrease in dwelling rents of 1% for 2016/17 for General Needs properties. Members are reminded that any decrease more than this level would result in a reduction in rental income which will impact on future years and could jeopardise the financial viability of the HRA and the sustainability of the business plan. Cabinet is recommended to note the report and request that the Council should consider all matters relating to the Housing Revenue Account 2016/17, the increase in

	Council House and garage rents and changes to other charges. Council is recommended to: (a) approve the Housing Revenue Account estimates set out in Appendix 1 subject to potential amendment to reflect the agreed Management Fee payable to Six Town Housing. (b) decrease the Rents for dwellings other than Sheltered and Extra Care by 1% from the first rent week in April. (c) increase the Rents for Sheltered and Extra Care dwellings by 0.9% from the first rent week in April. (d) adopt the policy of reletting dwellings at Target rents with effect from the first rent week in April. (e) increase Garage rents by 0.9% from the first rent week in April. (f) increase Sheltered Management and Amenity Charges by 0.9% from the first rent week in April. (g) reduce Sheltered heating charges by 10% from the first rent week in April. (h) approve that Sheltered support and Furnished Tenancy charges remain unchanged from the first rent week in April. (i) increase tenancy charges at the Fernhill Caravan Site by 0.9% from the first rent week in April.

IMPLICATIONS: **Corporate Aims/Policy Framework:**	The proposals accord with the Policy Framework
Statement by Section 151 Officer:	Financial and risk implications are detailed in the report.
Statement by Executive Director of Resources:	The report fully details the Housing Revenue Account for 2016/17.
Equality/Diversity implications:	No
Considered by Monitoring Officer:	Yes
Are there any legal implications?	No
Staffing/ICT/Property:	There are no direct staffing, ICT or property implications arising from this report although the HRA budget impacts on these areas.
Wards Affected:	All
Scrutiny Interest:	Overview and Scrutiny Committee

TRACKING/PROCESS **INTERIM DIRECTOR: STEPHEN KENYON**

Chief Executive/ Management Board	Executive Member/Chair	Ward Members	Partners
	Yes		
Scrutiny Committee	Cabinet	Committee	Council
11 February 2016	24 February 2016		24 February 2016

1.0 INTRODUCTION

1.1 The Housing Revenue Account (HRA) is primarily a 'landlord account', recording revenue expenditure and income relating to the authority's own housing stock.

1.2 The HRA is a ring-fenced account i.e. the authority does not have any general discretion to transfer sums out of the HRA, or to support the HRA with contributions from the General Fund, (there are certain circumstances where transfers are permitted or prescribed but these are exceptions).

1.3 From April 2012 the Government introduced a self-financing funding system whereby the HRA now retains its rental income locally and uses this to provide for management, maintenance and major works to the housing stock. To effect this change in funding each authority had their housing 'business' valued and this required us to take on £78.3m of HRA debt

1.4 The Government's calculation of our Self-Financing valuation was made on the assumption that we will adhere to the rent policy and the timetable for convergence; if rents are not increased in line with this then resources will be lost from the HRA which may impact on the longer term business plan.

1.5 In April 2005 Six Town Housing was established as an Arms Length Management Organisation (ALMO) to manage and maintain the authority's housing stock and related assets. A Management Agreement was signed between Six Town Housing and Bury Council which details the responsibilities that are delegated to the ALMO.

1.6 Bury Council agrees the level of Management Fee payable from the Housing Revenue Account to Six Town Housing for the provision of the delegated responsibilities; the fee being paid for 2015/16 is £13,058,600.

1.7 For 2016/17 the HRA is expected to have an average stock of 8,022 dwellings. The self-financing valuation was based on assumed levels of Right to Buy Sales for each authority. Our settlement assumed that we will have 44 RTBs in 2016/17, however given the current level of activity the HRA estimates have been prepared on the basis of 50 sales. If the level of sales is above or below this figure then this will result in less or more rental income to the HRA than has been assumed.

1.8 As a result of the HRA being a ringfenced account, any surplus or deficit on the HRA is carried forward into the next financial year and is called the working

balance. Section 5 of this report contains an assessment of the minimum level of balances to be held.

1.9 The implementation of the Government's Welfare Reforms will have an increasing impact on the Housing Revenue Account and on the approximately 72% of tenants who are entitled to support with their rent and charges.

1.10 The introduction of the Universal Credit, sees benefits paid directly to the majority of claimants, as opposed to a simple transfer from the Council into rent accounts, is expected to have a huge impact on collection rates for rents and other charges. Currently around 62% of HRA rental income comes directly from Housing Benefit meaning that once the current welfare reforms have been fully implemented up to £18.4m of HRA income will have to be collected from tenants, presenting a large risk to income streams (based on the total assumed rental income for 2016/17).

1.11 There are currently only around 174 tenants claiming Universal Credit so at this stage it is difficult to assess the impact on the HRA for the coming year.

1.12 The Council's Support Fund was financed by specific grant, however this ceased in the 2015/16 Settlement. Similarly funding for Discretionary Housing Payments has seen a reduction. Both of these developments are likely to have an adverse impact on vulnerable tenants and potentially impact upon rent arrears in the future.

1.13 An updated impact assessment of the welfare reforms is currently being undertaken through the Welfare Reform Board and this is expected to be completed in May 2016.

1.14 The roll out of Universal Credit and direct payments will also impact on costs incurred by the Council and Six Town Housing, for example, increased 'cash' transaction costs.

2.0 RENT LEVELS 2016/17

2.1 In December 2000 the government issued a policy statement entitled 'The Way Forward for Housing' which proposed that rent setting in social housing should be brought onto a common system based upon relative property values and local earnings levels. The aim is that rents on similar properties in the same area should be the same no matter who is the landlord.

2.2 In order to achieve the objectives set out in the policy statement there is now a common formula for both Local Authority (LA) rents and those of Registered Social Landlords (RSL). Restructuring and convergence of LA and RSL rents was originally intended to be completed over 10 years i.e. April 2002 to March 2012. The target date for completion was revised by the government on more than one occasion however the government's rent policy for 2015/16 onwards assumed that convergence had been completed in 2014/15.

2.3 Under the current system a Target Rent is calculated for each dwelling. The target rent increases each year in line with the government's guideline which for 2015/16 was the Consumer Price Index (CPI) for the previous September plus 1%.

2.4 At the Council meeting in February of last year an average increase of 2.2% was recommended, this being in line with the rent setting policy however a subsequent amendment was agreed that froze the rents at the 2014/15 levels.

2.5 In July 2015 the Chancellor of the Exchequer announced that social rents would reduce by 1% each year for the next four years. This requirement is contained within the Welfare Reform and Work Bill which is currently progressing through Parliament. However a recent announcement has indicated that Supported Accommodation will be exempted from this requirement for 2016/17.

Therefore for 2016/17 it is proposed that:

- rents are decreased by 1% for dwellings other than those in Sheltered and Extra Care Schemes (7,574 properties)
- rents are increased by 0.9% (September CPI plus 1%) for Sheltered and Extra Care dwellings (448 properties)

2.6 The introduction of the self financing system did mean that the Council had more freedom regarding the level of rents that it set (although the national rent policy continued and the calculation of the debt taken on by Bury assumed the achievement of rent convergence by 2015/16). The requirement within the Welfare Reform and Work Bill to reduce rents by 1% for each of the next four years removes this freedom and withdraws resources on an ongoing basis from the Housing Revenue Account. The table below shows the estimated loss of rental income to the HRA over the four year period:

Rental income lost over 4 year period 2016/17 – 2019/20	
Impact of 1% reduction on base 2016/17 rents	£2,640,700
Impact of not applying future CPI + 1% increases	£2,677,600
Total resources lost from HRA	**£5,318,300**

2.7 During the passage of the Welfare Reform and Work Bill the government has confirmed that authorities can increase individual property rents to the Target Rent level when they are relet to a new tenant (1% reductions would then apply for subsequent years).

2.8 Bury's average rent is currently more than £6 per week lower than the average Target rent for our properties; if relets were to be moved to target rents then the HRA would receive additional rent income of up to £80,000 on an ongoing basis from properties relet in one year, with additional revenue from relets in future years. The amount of additional rental income will depend on the number and timing of relets and the current rents of the individual properties when compared to their Target rent.

2.9 This policy has not been adopted previously mainly due to concerns about properties having different rents than their neighbours however this is already the case to some degree as rent restructuring was not completed. This situation will become more widespread under the Pay to Stay proposals which would require market rents to be charged where households have income above a certain level. Given this and the need to ensure the long term viability of the HRA it is now proposed that a policy of reletting properties at their Target rent should be adopted from the first rent week in April 2016.

2.10 Bury's rents are currently collected on a 50 week basis with 2 non-collection weeks in December.

2.11 Currently Housing Benefit for our HRA tenants is paid in line with the 50 week collection basis. However the introduction of Universal Credit will see claimants receiving payments monthly in arrears on the basis of a 52 week year. This means that there is a risk that tenants in receipt of Universal Credit could fall into arrears as the weekly rent due on a 50 week basis will be higher than the amount included in their direct payment.

2.12 The following tables show the difference between the current and proposed rents on the basis of:

- a decrease of 1% applied to the rents of all dwellings other than those in Sheltered and Extra Care Schemes
- an increase of 0.9% (September CPI plus 1%) applied to Sheltered and Extra Care dwellings

All dwellings other than Sheltered and Extra Care

TYPE	NUMBER OF BEDROOMS	VALUATION AT JAN' 1999 VALUES	RENT 2015/16	PROPOSED RENT 2016/17	INCREASE / (DECREASE) OVER ACTUAL 2015/16 RENT	
		£	£	£	£	%
Bed-sit	0	25,387	61.71	61.09	(0.62)	(1.0)
Bungalow	1	30,993	69.02	68.33	(0.69)	(1.0)
Flat	1	28,529	67.99	67.31	(0.68)	(1.0)
House	1	29,467	69.52	68.83	(0.69)	(1.0)
Bungalow	2	39,612	81.38	80.56	(0.82)	(1.0)
Flat	2	29,505	74.96	74.21	(0.75)	(1.0)
House	2	34,626	77.76	76.99	(0.77)	(1.0)
Maisonette	2	32,132	76.84	76.07	(0.77)	(1.0)
Flat	3	29,702	80.43	79.63	(0.80)	(1.0)
House	3	37,570	85.51	84.66	(0.85)	(1.0)
Maisonette	3	33,845	83.93	83.09	(0.84)	(1.0)
House	4/6	38,490	92.92	91.99	(0.93)	(1.0)
		32,890	**76.25**	**75.49**	**(0.76)**	**(1.0)**

Sheltered and Extra Care dwellings

TYPE	NUMBER OF BEDROOMS	VALUATION AT JAN' 1999 VALUES	RENT 2015/16	PROPOSED RENT 2016/17	INCREASE / (DECREASE) OVER ACTUAL 2015/16 RENT	
		£	£	£	£	%
Bed-sit	0	22,936	59.29	59.83	0.54	0.9
Bungalow	1	29,451	68.65	69.27	0.62	0.9
Flat	1	25,528	66.77	67.37	0.60	0.9
Bungalow	2	32,840	76.83	77.53	0.70	0.9
Flat	2	31,469	77.22	77.91	0.69	0.9
		26,164	**65.52**	**66.11**	**0.59**	**0.9**

The rents shown in the tables are all on a 50 week basis.

2.13 There are currently 311 HRA owned garages (of which 187 are currently let). Garages are charged for at the rate of £6.47 per week (50 weeks). The last increase was in April 2014. It is proposed that the charge is increased by 0.9%

from April, in line with September CPI plus 1%; this results in a weekly increase of £0.06 giving a rate of £6.53 per week (over 50 weeks).

3.0 SHELTERED AND OTHER TENANCY CHARGES

3.1 Sheltered Management and Support Charges

3.1.1 The management and provision of Sheltered support services are provided by Adult Care Services for which they receive payment from the Housing Revenue Account.

3.1.2 With effect from April 2008 all Sheltered tenants have been charged the same weekly charge. Charging in this way is a much fairer system as all tenants receive the same level of service.

3.1.3 Following a review of the costs of the services provided by Adult Care Services, to ensure that the costs of management and support were charged for appropriately, a Sheltered Management charge was introduced in 2012/13. This charge covers additional housing management costs that should not be funded through Supporting People funding.

3.1.4 Sheltered Management charges are set to ensure that the costs of the services provided are recovered from those receiving them. It is proposed that the weekly charges per unit (on a 50 week basis) are increased for 2016/17 as shown below.

	Current Charge £	**Proposed Charge 2016/17 £**
Sheltered schemes (other than Extra Care)	10.40	10.49
Extra Care schemes (Falcon House/Griffin House)	19.97	20.15

3.1.5 The proposed increase is 0.9% being September CPI plus 1%.

3.1.6 These charges will be eligible for Housing Benefit purposes and it is expected that benefits will be payable to accepted claimants.

3.1.7 Following the review of the charging structure and the introduction of the Sheltered Management charge the standard weekly Support Charge per unit was reduced to £8.33 (on a 50 week basis) for 2012/13 and has remained at this level since then. Charges for support costs are not eligible for Housing Benefit but instead a subsidy is paid for eligible tenants from a locally administered Supporting People 'pot' that also funds other supported accommodation in the Borough.

3.1.8 It is proposed that this charge remains unchanged for 2016/17. This charge applies at all Sheltered schemes other than the Extra Care schemes at Falcon House and Griffin House.

3.1.9 The Extra Care Sheltered Scheme, covering the Falcon House and Griffin House schemes, has different support charges which reflect different levels of support

offered dependant on the assessed needs of the individual tenants; this support is provided by the Department of Communities and Wellbeing and they will be reviewing the charges for 2016/17.

3.2 Sheltered Amenity Charges

3.2.1 The Sheltered Amenity Charges were increased by 1.2% for 2015/16. It is proposed that the current charges are increased by 0.9% (September CPI figure plus 1%) from the first rent week in April 2016. The additional income generated will offset increased costs of providing the service, for example pay awards.

The current and proposed charges per unit per week (over 50 weeks) will be as shown in the table below with Appendix 4 detailing the total Sheltered Management, Support and Amenity Charges for each scheme:-

	Current Charge **£**	**Proposed Charge 2016/17** **£**
Clarkshill	16.13	16.28
Elms Close	1.88	1.90
Falcon House	9.43	9.51
Griffin House	9.15	9.23
Harwood House	18.31	18.47
Moorfield	20.95	21.14
Mosses House	16.62	16.77
Stanhope Court	8.43	8.51
Taylor House	18.69	18.86
Top O'th Fields 1	18.03	18.19
Waverley Place	19.81	19.99
Wellington House	26.80	27.04

3.2.2 Amenity charges are eligible for Housing Benefit purposes and it is expected that benefits will be payable to accepted claimants.

3.3 Sheltered Heating Charges

3.3.1 Heating charges are only levied at Sheltered schemes where there is a communal heating system with no separate metering of individual consumption; the aim of the charges is to recover the actual energy costs incurred at each scheme.

3.3.2 At the Council meeting in February of last year a freeze in the charges was recommended, however a subsequent amendment was agreed that reduced the charges by 5% for the current year. The charges are based on expected contract prices and estimated levels of consumption. On this basis it is proposed that the charges are reduced by 10% for 2016/17.

3.3.3 The current and proposed charges per unit per week, (exclusive of VAT), are:-

	Present Charge £	Proposed Charge £	Proposed Increase/ (Decrease) %
Taylor House	16.43	14.79	(10)
Clarks Hill	11.09	9.98	(10)
Waverley Place	15.96	14.36	(10)
Harwood House	15.41	13.87	(10)

3.3.4 Heating Charges are not eligible for Housing Benefit however most Sheltered Tenants should be eligible for Winter Fuel Payments; for winter 2015/16 the rates for these are £200 per household for those born on or before 5 January 1953, rising to £300 per household for those aged 80 or over in the week beginning 21 September 2015.

3.4 Furnished Tenancies Charges

3.4.1 A Furnished Tenancy Scheme was introduced during 2005/06. The scheme provides furniture packages for which an additional weekly charge is payable.

3.4.2 There are currently 235 furnished tenancies. Prior to 2014/15 the scheme was expanded on a self funding basis with increases of 20% per annum in the number of furnished tenancies.

3.4.3 Six Town Housing, who manage the furnished tenancies, are currently undertaking a review of the packages and tenancies available under the scheme to determine whether a wider range of options may have a positive impact on tenancy sustainment. The outcome of this review is expected early in the next financial year; any proposed changes to the current packages will be subject to appropriate consultation and approval.

3.4.4 Furnished Tenancy charges are eligible for Housing Benefit purposes and therefore benefits should be payable to accepted claimants. The introduction of Universal Credit and direct payments will mean that there is an increased risk of non-payment of these charges.

3.4.5 Increases in charges to cover inflation in the costs of the scheme e.g. costs of replacement furniture and fittings are normally implemented from the first rent week in April of each year.

3.4.6 However it is proposed that pending the outcome of the review the current charges remain unchanged for 2016/17 as efficient procurement continues to deliver stability in replacement costs. The current weekly charges, (on a 50 week basis), are:

- 1 bed property £17.92
- 2 bed property £21.10
- 3 bed property £24.28

3.5 Fernhill Caravan Site Tenancy Charges

3.5.1 Management of the Fernhill Caravan Site passed over to Six Town Housing in 2014/15 for which they receive a separately determined Management Fee. Whilst income from tenants and payment of the Management Fee are accounted for in the General Fund not the Housing Revenue Account it is felt appropriate to consider increases in the charges under these tenancies alongside those of HRA rents and charges.

3.5.2 Tenants at the site are charged a weekly pitch fee and a weekly charge for water; these charges are payable on a 52 week basis i.e. there aren't any non-collection weeks.

3.5.3 At the Council meeting in February of last year an average increase of 2.2% was recommended, this being in line with the rent increase proposed for HRA dwellings, however a subsequent amendment was agreed that froze the charges at the 2014/15 levels. It is proposed that the weekly charges for 2016/17 are increased by 0.9% (September 2015 CPI plus 1%), therefore the current and proposed charges per plot per week are:

	Current Charge **£**	**Proposed Charge 2016/17** **£**
Single Plot – pitch fee	54.02	54.50
Double Plot – pitch fee	73.60	74.26
Single Plot – water charge	6.10	6.15
Double Plot – water charge	8.45	8.53

4.0 HOUSING REVENUE ACCOUNT PERFORMANCE

4.1 Voids

4.1.1 The rent lost on empty properties is projected to be 1.64% over the course of 2015/16; this will mean an increase in rent income of approximately £47,000 as the original budget allowed for a void level of 1.8%.

4.1.2 The level of void loss for 2016/17 has been assumed at 1.6% which could be a challenging target given 2015/16 performance to date and the potential impact on void levels from the implementation of welfare benefit changes; if the target is not achieved then there would be a reduction in rental income to the HRA. The assessed level of minimum HRA balances for 2016/17 allows for this possibility as discussed in section 5.

4.1.3 If the target was to be exceeded then this would result in an increase in rental income to the HRA which could either be carried forward into 2017/18 or targeted during the coming financial year for service developments.

4.1.4 Appendix 2 details the loss or increase in rental income at different void levels if the 1.6% is not achieved in 2016/17.

4.2 Rent Arrears

4.2.1 The opening arrears and current levels for 2015/16 are shown in the following table. The figures reflect the fact that around £7,100 of Former Tenant Arrears has been written off during 2015/16. Write offs totalling £53,200 are awaiting write off and it is anticipated that a further £20,000 could be written off before the end of 2015/16. All write offs are done in accordance with the Corporate Debt Write Off Policy as approved by the then Executive.

	Opening Arrears 2015/16 £	Current Position £	Increase/ (Reduction) in arrears £
Current Arrears	521,900	673,000	151,100
Former Tenant Arrears	424,400	515,600	91,200
	946,300	1,188,600	242,300

4.2.2 Authorities are required to make suitable provision, in accordance with proper accounting practices, to cover the write-off of rent and service charge arrears.

4.2.3 The Bad Debt Provision for rent arrears, which is held on the Authority's Balance Sheet, stood at £679,500 at the beginning of this financial year. The requirement for the year is calculated with reference to the type of arrear and the amount outstanding on each individual case.

4.2.4 The original budget for 2015/16 allowed for additional contributions to the provision totalling £488,500; £183,200 for uncollectable debts and £305,300 for the impact of benefit reforms. Looking at the arrears position, it is now estimated that the additional provision required in 2015/16 may only be £318,300. All things being equal this suggests that the Provision will stand at £917,500 at the end of 2015/16 against arrears of £1,188,600. The reduced requirement has resulted from delays in the implementation of some welfare benefit changes whilst the effects of others have been mitigated through the actions of the Welfare Reform Group and close working with Partners in implementing the Corporate Debt Policy.

4.2.5 The 2016/17 estimates allow for additional contributions to the provision, totalling £481,100:

- For uncollectable debts £180,400
  This figure represents 0.6% of the rent roll and is a decrease compared to the expected contribution in the current year; this reflects the lower rent levels assumed for 2016/17.

- For the impact of benefit reforms £300,700
  This figure represents 1.0% of the rent roll and has been included as an additional contribution to the Bad Debt Provision to reflect the potential impact that welfare benefit changes could have on the level of rent arrears, including the reassessment of cases currently in receipt of Discretionary Housing Payments and roll out of Universal Credit.

4.2.6 If the arrears position is not as severely impacted upon as has been estimated then a lower contribution may be required which would release additional resources in the HRA; conversely if the arrears position should deteriorate more significantly then additional contributions to the Bad Debt Provision could be required and these would need to be found from the HRA balances. The position is kept under regular review and reported to members in the quarterly Finance and Performance Monitoring Report.

4.3 Rechargeable Repairs

4.3.1 The amount due from tenants for rechargeable repairs currently stands at around £319,200 of which £298,700 is debt over 1 year old. Of the debt over 1 year old around £220,500 appears to be static debt i.e. there have been no payments received at all. No accounts have been written off so far in the current year however £17,600 of accounts have been identified as potential write offs.

4.3.2 The Bad Debt Provision for rechargeable repairs, which is held on the Authority's Balance Sheet, currently stands at £287,700.

Taking into account the expected write offs, at the end of 2016/17 the provision will stand at £270,100; this amount will be reduced by the amount of any further write-offs done before the end of 2016/17. Given the level of Bad Debt Provision that has now been built up the HRA will not need to make a contribution to the provision for 2016/17; the balance on the Bad Debt Provision will be monitored to ensure that it provides adequate cover.

4.3.3 Accounts raised are subject to established recovery procedures with reminders/final notices being routinely issued and accounts passed to collection agencies (for debts under £750) where payment is not received or instalment arrangements agreed. Billing and recovery arrangements will be continually reviewed to ensure effective recovery.

5.0 2016/17 HOUSING REVENUE ACCOUNT (HRA), HRA CAPITAL RESOURCES AND THE HRA WORKING BALANCE

5.1 2016/17 Housing Revenue Account

5.1.1 The Housing Revenue Account Estimates are set out in Appendix 1. These estimates are subject to the final agreement of the Management Fee payable to Six Town Housing for 2016/17.

5.1.2 The most significant impacts on the HRA for the coming year and in future years will continue to be from the implementation of rent reductions and welfare reforms; these are key factors in the determination of the HRA working balance.

Two pieces of legislation are currently going through Parliament, The Welfare Reform and Work Bill and the Housing and Planning Bill. Both of these bills contain provisions that could have a significant impact on future HRA resources and our tenants, for example:

- Requirement for rent reductions
- Sale of higher value voids

- Charging of market rents under 'Pay to Stay'
- Social rents 'capped' at Local Housing Allowance levels

The impact of these and other changes will be assessed as further information becomes available.

5.1.3 Other areas worthy of note that have not been covered in other sections of this report are:

- The Housing Revenue Account pays a Management Fee to Six Town Housing to provide the services delegated under the ALMO Management Agreement. The level of this Management Fee for 2016/17 is currently being finalised between Six Town Housing and the Council, in light of the 1% reductions in rents.

- Following a detailed appraisal of the business case for Springs Tenant Management Cooperative (TMO) to undertake a small scale voluntary transfer, their Management Board has agreed that this is not a viable option. Springs are now working with the Council around the possibility of becoming a self-financing, tenant management organisation. The details of how this will work have yet to be finalised, however, there are potential costs associated with setting up a new management agreement and related service level agreements. No provision has currently been made within the HRA for any additional costs that may arise from transfer.

5.1.4 The detailed Housing Revenue Account shown in Appendix 1 assumes that the proposals within this report for increases/decreases to rents and other charges are approved.

5.2 HRA Capital Resources

5.2.1 The introduction of a self-financing HRA system means that major works to the housing stock are now funded from rental income. The identification and timing of future major works are key factors in the development of the 30 Year HRA Business Plan.

5.2.2 Investment needs to be undertaken on a sustainable basis and in line with the Council's overarching Housing Strategy.

5.2.3 Since the introduction of HRA self financing the resources made available from the HRA for capital expenditure agreed by the Council was at the level assumed in the self financing determination. However at the Council meeting in February of 2014 an amendment was agreed to provide a contribution of £12.357m from the Business Plan Headroom Reserve over the period of 2014/15 to 2016/17 to facilitate improvements to bathrooms, kitchens and heating systems in Council owned properties in addition to the existing programme of improvements.

5.2.4 An operational decision in June 2014 confirmed HRA funding for the AGMA NEDO heating project; it is estimated that this will require £467,000 in 2016/17 (the majority of this is HRA funding originally set aside to be used in the current year).

5.2.5 Therefore it is proposed that for 2016/17 the resources made available from the HRA for capital expenditure should be:

Housing programme Major works	£7.772m
HRA component modernisation Council approval	£4.119m
Disabled Facilities Adaptations – Housing Stock	£0.563m
NEDO Heating Project	£0.467m
Total capital resources 2016/17	£12.921m

5.2.6 Approval of the Capital Programme will form part of the consideration of the overall Council budget so should there be any change to the assumed level of resources this will impact on the amount contributed to or from the HRA Business Plan Headroom Reserve.

5.3 The HRA Working Balance

5.3.1 The HRA needs to have a certain level of balances in order to finance occurrences that cannot be predicted and to mitigate against material inaccuracies in the assumptions underlying the budget.

5.3.2 The ending of the Housing Subsidy system removed the unpredictability associated with awaiting an annual determination but the introduction of a self-financing HRA has brought new risks particularly in relation to interest rate changes and any factors that impact on the level of rental income assumed. The implementation of rent reductions and welfare reforms has been identified throughout this report as bringing significant risks relating to the level of rent that will be collectable in future years.

5.3.3 There is no statutory definition of the minimum level however as part of a longer-term approach to HRA finances the Council have established a Golden Rule regarding the minimum level of HRA balances. Using his judgement and experience, the Executive Director of Resources and Regulation has previously recommended that the HRA balances should not be allowed to fall below £100 per property. However the actual minimum level of balances to be retained still needs to be reviewed each year based on a risk assessment of the major issues that could affect the financial position of the HRA.

5.3.4 Applying the above rule would require the minimum HRA working balance to be:

Financial Year	Average no of Properties	Balance at year end £
2015/16	8,072	807,200
2016/17	8,022	802,200
2017/18	7,972	797,200

5.3.5 Appendix 4 details a risk assessment of the major issues that could affect the financial position of the HRA, including the sensitivity of the voids and arrears targets. This shows that on a risk assessed basis, the minimum level of HRA balances shown above may not be adequate given the need to provide for the increased risks associated with the self-financing system and the implementation of welfare reforms. Therefore the Executive Director of Resources and Regulation (the Council's s151 Officer) is now recommending that for 2016/17 the HRA balances should not be allowed to fall below **£1,010,000.**

Councillor Rishi Shori,
Deputy Leader of the Council and Cabinet Member for Finance and Housing

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Draft Housing Revenue Account 2016/17

APPENDIX 1

HOUSING REVENUE ACCOUNT	2015/16		2016/17
	Original Estimate	Revised Estimate	Original Estimate
	£	£	£
INCOME			
Dwelling rents	29,981,900	30,042,200	29,586,000
Non-dwelling rents	219,000	214,400	216,300
Heating charges	70,700	73,700	66,300
Other charges for services and facilities	950,800	916,600	921,500
Contributions towards expenditure	53,900	53,900	53,900
Total Income	31,276,300	31,300,800	30,844,000
EXPENDITURE			
Repairs and Maintenance	6,907,500	6,865,100	6,865,100
General Management	7,028,200	7,027,100	7,057,700
Special Services	1,102,100	1,102,100	1,107,900
Rents, rates, taxes and other charges	93,200	100,000	103,500
Increase in provision for bad debts - uncollectable debt	183,200	183,300	180,400
Increase in provision for bad debts - impact of Benefit F	305,300	305,400	300,700
Cost of Capital Charge	4,531,900	4,468,000	4,468,000
Depreciation of fixed assets - council dwellings	7,619,100	7,619,100	7,771,500
Depreciation of fixed assets - other assets	41,900	42,300	42,300
Debt Management Expenses	40,600	35,000	40,600
Contribution to/(from) Business Plan Headroom Reserv	(1,919,900)	(1,527,600)	(2,183,100)
Total Expenditure	25,933,100	26,219,800	25,754,600
Net cost of services	(5,343,200)	(5,081,000)	(5,089,400)
Amortised premia / discounts	(14,600)	(14,600)	(13,300)
Interest receivable - on balances	(65,400)	(67,500)	(55,800)
Interest receivable - on loans (mortgages)	(1,000)	(700)	(700)
Net operating expenditure	(5,424,200)	(5,163,800)	(5,159,200)
Appropriations			
Appropriation relevant to depreciation and MRA		0	0
Revenue contributions to capital	5,424,200	5,163,800	5,149,200
(Surplus) / Deficit	**0**	**0**	**(10,000)**
Working balance brought forward	**(1,000,000)**	**(1,000,000)**	**(1,000,000)**
Working balance carried forward	**(1,000,000)**	**(1,000,000)**	**(1,010,000)**

APPENDIX 2

Sheltered Support and Amenity Charges
Current charges 2015/16 and proposed charges 2016/17

Scheme	**Total Current Charges 2015/16 £**	Proposed Management Charge 2016/17 £	Proposed Support Charge 2016/17 £	Proposed Amenity Charge 2016/17 £	**Total Proposed Charges 2016/17 £**	**Increase over current charges £**
Beech Close	**18.73**	10.49	8.33		**18.82**	**0.09**
Chelsea Avenue	**18.73**	10.49	8.33		**18.82**	**0.09**
Clarkshill	**34.86**	10.49	8.33	16.28	**35.10**	**0.24**
Elms Close	**20.61**	10.49	8.33	1.90	**20.72**	**0.11**
Falcon House	**29.40**	20.15		9.51	**29.66**	**0.26**
Griffin Close	**18.73**	10.49	8.33		**18.82**	**0.09**
Griffin House	**29.12**	20.15		9.23	**29.38**	**0.26**
Hampson Fold	**18.73**	10.49	8.33		**18.82**	**0.09**
Harwood House	**37.04**	10.49	8.33	18.47	**37.29**	**0.25**
Limegrove	**18.73**	10.49	8.33		**18.82**	**0.09**
Maple Grove	**18.73**	10.49	8.33		**18.82**	**0.09**
Moorfield	**39.68**	10.49	8.33	21.14	**39.96**	**0.28**
Mosses House	**35.35**	10.49	8.33	16.77	**35.59**	**0.24**
Stanhope Court	**27.16**	10.49	8.33	8.51	**27.33**	**0.17**
Taylor House	**37.42**	10.49	8.33	18.86	**37.68**	**0.26**
Top O'th Fields 1	**36.76**	10.49	8.33	18.19	**37.01**	**0.25**
T O'th F 2 (Welcomb Walk)	**18.73**	10.49	8.33		**18.82**	**0.09**
Waverley Place	**38.54**	10.49	8.33	19.99	**38.81**	**0.27**
Wellington House	**45.53**	10.49	8.33	27.04	**45.86**	**0.33**

APPENDIX 3

HRA VOID LEVEL OPTIONS - 2016/17

NB Springs TMO has a fixed voids allowance - currently 2%

VOIDS %	RENT LOSS £	DIFFERENCE FROM ASSUMED VOIDS LEVEL (2%) £
0.90	270,619	-210,481
1.00	300,688	-180,413
1.10	330,756	-150,344
1.20	360,825	-120,275
1.30	390,894	-90,206
1.40	420,963	-60,138
1.50	451,031	-30,069
1.60	481,100	0
1.70	511,169	30,069
1.80	541,238	60,138
1.90	571,306	90,206
2.00	601,375	120,275
2.10	631,444	150,344
2.20	661,513	180,413
2.30	691,581	210,481

APPENDIX 4

HOUSING REVENUE ACCOUNT - RISK ASSESSMENT

Risk Event	Impact	Risk Level	Likelihood	Max. Impact £000	Min. Provision £000
Increased stock loss - level exceeds the provision made in the estimates	The loss of a property costs the HRA approx. £3,800 in lost rental income in a full year. A loss of 50 properties throughout the year would cost around £95,000	H 100 %	Budget 2016/17 assumes 50 sales. Current sales levels are around this level but further changes to discounts and eligibility coupled with the introduction and promotion of Right to Buy Agents could significantly increase interest and potential sales.	100	100
Higher level of void (empty) properties - increase loss of rental income	A 0.75% increase in void loss costs the HRA £225k in a full year.	H 100 %	Budget 2016/17 assumes 1.6% void rental loss. There is a possibility that the level may be higher particularly as current performance is not meeting this target.	220	220
Increase in Management Fee paid to Six Town - pay costs	Six Town Housing can request additional pay costs as an addition to the Management Fee however this is subject to negotiation with the Council (it is not an automatic payment).	L 60%	The STH Management Fee has not yet been agreed for 2016/17 and it is felt prudent to allow for a 1% increase over and above that provided for in the 2016/17 budget.	70	40
- non pay inflation	Six Town Housing can request additional inflation as an addition to the Management Fee however this is subject to negotiation with the Council (it is not an automatic payment).	L 60%	Budget 2016/17 allows for 0% increase on the non pay elements of the Management Fee. This includes expenditure on the Repairs and Maintenance service.It is felt prudent to allow for a 2% increase over and above that provided for in the 2016/17 budget.	130	80

APPENDIX 4

HOUSING REVENUE ACCOUNT - RISK ASSESSMENT

Risk Event	Impact	Risk Level	Likelihood	Max. Impact £000	Min. Provision £000
Increase in arrears levels	Rental income is accounted for in the HRA on a rents receivable basis rather than actual rent received. However an increase in arrears could impact on the level of contribution required to the Bad Debt Provision.	H 100 %	Budget 2016/17 allows for contributions of £481,100 to the Bad Debt Provision. This is based on 1.6% of the rental income due and allows for the potential impact of under occupation and other benefit changes. However the level of arrears can be volatile and the timing and impact of benefit changes is still estimated at this stage.	450	450
Interest rates - Cost of Capital	Under self financing the risks associated with changes in interest rates impact directly on the HRA.	L 60%	The loans taken on for self financing are long term fixed rate so the interest charges are known. However there could be an impact on the HRA when pre self financing loans are replaced.	90	50
Other HRA expenditure	Whilst the Management Fee paid to Six Town Housing accounts for the majority of management and maintenance expenditure within the HRA there are other costs and charges. These include payments to Adult Care Services and other departments of the Council for services provided to HRA customers. If these costs were to be 2%	M 80%	The majority of these charges are agreed in advance and as such should not vary throughout the year. However it is felt prudent to allow for the possibility that unforeseen circumstances within services outside of the HRA could have an impact on the charges made. Increased costs are likely to result from the implementation of benefit reforms.	40	30
Springs Tenant Management Co-operative - potential progress towards self financing TMO.	As these proposals progress there may be costs that fall on the HRA associated with this.	H 100 %	The 2016/17 budget does not contain any provision for these costs as the timing and extent of such costs has not yet been fully established.	40	40

APPENDIX 4

HOUSING REVENUE ACCOUNT - RISK ASSESSMENT

Risk Event	Impact	Risk Level	Likelihood	Max. Impact £000	Min. Provision £000
				1140	1010

Agenda Item 8

REPORT FOR DECISION

Bury COUNCIL

Agenda Item	

DECISION OF:	**OVERVIEW & SCRUTINY COMMITTEE** **CABINET** **COUNCIL**
DATE:	**11 FEBRUARY 2016** **24 FEBRUARY 2016** **24 FEBRUARY 2016**
SUBJECT:	**TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2016/17**
REPORT FROM:	**DEPUTY LEADER OF THE COUNCIL & CABINET MEMBER FOR FINANCE & HOUSING**
CONTACT OFFICER:	**STEPHEN KENYON, INTERIM EXECUTIVE DIRECTOR OF RESOURCES AND REGULATION**
TYPE OF DECISION:	**COUNCIL**
FREEDOM OF INFORMATION/STATUS:	The report is for publication
SUMMARY:	The report sets out the suggested Strategy for 2016/17 in respect of the following aspects of the Treasury Management function. It is based upon the Treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor. The Strategy covers: • treasury limits in force which will limit the treasury risk and activities of the Council; • prudential and treasury indicators; • the current treasury position; • prospects for interest rates; • the borrowing strategy; • the borrowing requirement; • debt rescheduling; • the investment strategy;

	• the minimum revenue provision policy; The primary objective of the Council's treasury management function will continue to be the minimisation of financing costs whilst ensuring the stability of the Authority's long term financial position by borrowing at the lowest rates of interest and by investing surplus cash to earn maximum interest, all at an acceptable level of risk. The overall strategy for 2016/17 will be to finance capital expenditure by running down cash/investment balances and using short term temporary borrowing rather than more expensive longer term loans. The taking out of longer term loans (1 to 10 years) to finance capital spending will only then be considered if required by the Council's underlying cash flow needs. Some long term loans (over 10 years) may be undertaken to replace debt which matures in the year. With the reduction of cash balances the level of short term investments will fall. Given that investment returns are likely to remain low (say) 0.50% for the financial year 2016/17, then savings will be made from running down investments rather than taking out more expensive long term loans. All prospects for rescheduling debt will be considered, in order to generate savings by switching from high costing long term debt to lower costing shorter term debt.
OPTIONS & RECOMMENDED OPTION	It is recommended that Overview and Scrutiny Committee notes the report; It is recommended that Cabinet approves, for onward submission to Council, the: • Prudential Indicators forecast for 3 years • Treasury Management Strategy for 2016/17 • Schemes of Delegation and Responsibility attached at Appendices 2 and 6 It is recommended that Council approves the report. Reasons for the Decision: It is a requirement of the CIPFA Code that the Council receives an annual treasury management strategy report.

IMPLICATIONS:	
Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? Yes

Statement by the S151 Officer: Financial Implications and Risk Considerations:	Treasury Management is an integral part of the Council's financial framework and it is essential that the correct strategy is adopted in order to ensure that best value is obtained from the Council's resources and that assets are safeguarded.
Statement by Executive Director of Resources & Regulation:	There are no additional resource implications.
Health & Safety implications:	There are no direct Health & Safety implications
Equality/Diversity implications:	No
Considered by Monitoring Officer:	Yes
Wards Affected:	All
Scrutiny Interest:	Overview & Scrutiny Committee

TRACKING/PROCESS **EXECUTIVE DIRECTOR: Mike Owen**

Chief Executive/ Senior Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	Leader / Finance		
Scrutiny Committee		Committee	Council
Overview & Scrutiny 11/2/16		Cabinet 24/2/16	Council 24/2/16

1.0 BACKGROUND

1.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.3 CIPFA defines treasury management as:
"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.4 Reporting requirements

1.4.1 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) – the first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.4.2 The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Overview and Scrutiny Committee.

1.5 In Year Monitoring Arrangements

1.5.1 Budget monitoring reports are produced on a monthly basis, together with quarterly reporting to Cabinet and the Overview and Scrutiny Committee.

1.5.2 In 2015/16 the average rate of return on investments is 0.68% as at 31st December 2015.

1.6 Treasury Management Strategy for 2016/17

1.6.1 The strategy for 2016/17 covers two main areas:

Capital issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) strategy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

1.6.2 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

1.7 Treasury Management consultants

1.7.1 The Council uses Capita Asset Services, treasury solutions as its external treasury management advisors.

1.7.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

1.7.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2.0 THE CAPITAL PRUDENTIAL INDICATORS 2016/17 – 2018/19

2.1 The Council's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist Members overview and confirm capital expenditure plans.

2.2 Capital expenditure

2.2.1 This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Capital Expenditure	2014/15 Actual £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Non-HRA	13,172	18,279	12,616	1,045	0
HRA	12,742	13,593	12,576	2,906	2,437
Total	**25,914**	**31,872**	**25,192**	**3,951**	**2,437**

2.3 The Council's borrowing need (the Capital Financing Requirement)

2.3.1 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

2.3.2 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

2.3.3 The CFR includes any other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

Capital Financing Requirement	2014/15 Actual £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
CFR – non HRA	122,030	118,492	113,371	109,288	105,564
CFR – HRA existing	40,530	40,530	40,530	40,530	40,530
Housing Reform Settlement	78,253	78,253	78,253	78,253	78,253
Total CFR	**240,813**	**237,275**	**232,154**	**228,071**	**224,347**

2.4 Minimum revenue provision (MRP) policy statement

2.4.1 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

2.4.2 CLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. The Council approved the following MRP Statement for the year 2016/17 at its December 2015 meeting:-

- MRP for supported borrowing will be calculated using 2% over 50 years in equal annual instalments as a variation on the 'Regulatory Method' of calculating MRP.
- The Asset Life method of calculating repayment provision will be used for unsupported borrowing.
- The Interim Executive Director of Resources and Regulation may from time to time and when it is beneficial to the efficient financial administration of the Council, vary the amounts charged as MRP in the year by making

additional and voluntary payments of MRP. In these circumstances, the amount paid would not prejudice the existing strategy or be counter to the regulatory intent of that strategy.

2.5 Affordability prudential indicators

2.5.1 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

2.6 Ratio of financing costs to net revenue stream.

2.6.1 This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Non-HRA	3.21%	3.11%	2.99%	2.85%	2.69%
HRA	14.44%	14.44%	14.44%	14.44%	14.44%

2.6.2 The estimates of financing costs include current commitments and the proposals in this budget report.

2.7 Incremental impact of capital investment decisions on Council Tax

2.7.1 This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support.

2.7.2 Incremental impact of capital investment decisions on the band D council tax:

	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Council tax -Band D	-£5.16	-£0.01	-£2.32	-£3.36	-£4.62

2.8 Estimates of the incremental impact of capital investment decisions on housing rent levels.

2.8.1 Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

2.8.2 Incremental impact of capital investment decisions on housing rent levels:

	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Weekly housing rent levels	£0	£0	£0	£0	£0

3.0 BORROWING

3.1 The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.2 Current portfolio position

3.2.1 To assist Members in agreeing a strategy for 2016/17 the Council's current treasury portfolio position (at nominal value) is detailed below:

		31st March 2015			Forecast 31st March 2016		
		Principal		Avg.	Principal		Avg.
		£0	£0	Rate	£0	£0	Rate
Fixed rate funding							
	PWLB Bury	140,553			131,453		
	PWLB Airport	3,308			2,555		
	Market Bury	57,500	201,361		62,000	196,008	
Variable rate funding							
	PWLB Bury	0			0		
	Market Bury	0	0		0	0	
Temporary Loans / Bonds		3	3		3	3	
Total Debt			**201,364**	**3.96%**		**196,011**	**3.92%**
Total Investments			**32,322**	**0.62%**		**45,700**	**0.74%**

3.2.2 The forecast accumulated capital financing requirement at the end of 2015/16 is £237.3m. The forecast borrowing at the end of 2015/16 is £196.0m meaning that the Authority is under borrowed by £41.3m.

3.2.3 The investment portfolio after the Capital Programme has been spent during 2015/16 is estimated to be around £45.7m. In preference to taking out long term borrowing, the Authority is taking temporary loans and running down investments to finance capital expenditure because investment returns are low at the present time. The estimated rate of interest on investments for 2015/16 is 0.74% against Capita Asset Services' suggested investment earnings rate for returns on investments placed, for periods up to three months in 2015/16, of 0.50%.

3.2.4 The Council is also investing in properties that deliver a sustainable rental yield; under its "Property Investment Strategy"

3.3 Treasury Indicators: limits to borrowing activity

3.3.1 **The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Borrowing	237,300	232,200	228,100	224,300
Other long term liabilities	6,700	6,700	6,700	6,700
Total	**244,000**	**238,900**	**234,800**	**231,000**

3.3.2 **The authorised limit for external debt.** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

Authorised limit	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Borrowing	272,300	267,200	263,100	259,300
Other long term liabilities	6,700	6,700	6,700	6,700
Total	**279,000**	**273,900**	**269,800**	**266,000**

3.4 Prospects for interest rates

3.4.1 The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their central view.

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Bank Rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PWLB rate	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%
10yr PWLB rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%
25yr PWLB rate	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.10%	4.10%
50yr PWLB rate	3.20%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	3.90%	4.00%	4.00%	4.00%

3.4.2 The 2015 growth rate is likely to disappoint previous forecasts and come in at about 2%. Quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a slight increase in quarter 2 to +0.5% (+2.3% y/y) before weakening again to +0.4% (2.1% y/y) in quarter 3. The November Bank of England Inflation Report included a forecast for growth to remain around 2.5 – 2.7% over the next three years, driven mainly by consumer demand. Investment expenditure is also expected to support growth. However, since the August Inflation report was issued, most worldwide economic statistics have been weak and financial markets have been particularly volatile. The November Inflation

Report flagged up particular concerns for the potential impact of these factors on the UK.

3.4.3 The Inflation Report was also notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. Falls in the price of oil and imports from emerging countries in early 2016 will further delay the pick up in inflation. There is therefore considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate.

3.4.4 The weakening of UK GDP growth during 2015 and the deterioration of prospects in the international scene, especially for emerging market countries, have consequently led to forecasts for when the first increase in Bank Rate would occur being pushed back to quarter 4 of 2016. There is downside risk to this forecast i.e. it could be pushed further back.

3.4.5 The US economy made a comeback after a weak first quarter's growth at +0.6% (annualised), to grow by 3.9% in quarter 2 of 2015, but then pulled back to 2.0% in quarter 3. The run of monthly increases in nonfarm payrolls figures for growth in employment in 2015 prepared the way for the Fed. to embark on its long awaited first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.

3.4.6 In the Eurozone, the ECB in January 2015 unleashed a €1.1 trillion programme of quantitative easing to buy up government and other debt of selected EZ countries. This programme of monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence and a start to some improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.3% y/y) but has then eased back to +0.4% (+1.6% y/y) in quarter 2 and to +0.3% (+1.6%) in quarter 3. Financial markets were disappointed by the ECB's lack of more decisive action in December and it is likely that it will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

3.5 Borrowing strategy

3.5.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

3.5.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2016/17 treasury operations. The Interim Executive Director of Resources & Regulation will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from a greater than expected increase in the anticipated rate to US tapering of asset purchases, or in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.

3.5.3 Any decisions will be reported to the appropriate decision making body at the next available opportunity.

3.6 Treasury management limits on activity

3.6.1 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Interest rate exposures	**2015/16** Upper	**2016/17** Upper	**2017/18** Upper
Limits for fixed interest rates based on net debt	130%	102%	100%
Limits for variable interest rates based on net debt	-30%	-14%	-14%
Maturity structure of new fixed rate borrowing 2015/16			
		Upper	**Lower**
Under 12 months		40%	0%
12 months and within 24 months		35%	0%
24 months and within 5 years		40%	0%
5 years and within 10 years		50%	0%
10 years and above		90%	0%

3.7 Policy on borrowing in advance of need

3.7.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.7.2 In determining whether borrowing will be undertaken in advance of need the Council will:

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need

- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets, have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

3.8 Borrowing Requirement

3.8.1 Based on a current forecast for the Capital Financing Requirement plus the replacement of existing debt, less the minimum revenue provision (MRP) and the voluntary revenue provision (VRP), the net borrowing requirement for the current year and the next three years is estimated to be as follows.

	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Alternative financing	384	2,249	886	0
Replacement borrowing	11,280	16,905	3,683	4,516
Borrowing Requirement	**11,664**	**19,154**	**4,569**	**4,516**

3.8.2 Alternative financing is a combination of running down cash balances and investments and temporary borrowing.

3.8.3 The plan is to use a combination of internal borrowing (i.e. running down cash balances/investments) and temporary borrowing to finance some of the replacement borrowing. The rest will be financed by long term borrowing (over 10 years) as required by the Council's underlying cash flow needs.

3.8.4 The overall effect of the finance costs on the General Fund for the next three years is detailed in the Affordable Borrowing Limit prudential indicator. This ultimately shows the effect of the proposed capital investment decision on the council tax compared to a situation with the same level of capital investment as occurred in the previous year. Changes in the capital investment decision affects the movement in new borrowing for capital purposes, resulting in a change in the finance costs which impacts council tax.

Affordable Borrowing Limit	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Increase in Council tax	£0.00	£0.00	£0.00

3.9 Debt rescheduling

3.9.1 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

3.9.2 The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;

- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

3.9.3 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

3.9.4 All rescheduling will be reported to the Council, at the earliest meeting following its action.

4.0 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

4.1.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second and then return.

4.1.2 In accordance with guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit citeria in order to generate a list of highly creditworthy counterparties, which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

4.1.3 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

4.1.4 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4.1.5 Investment instruments identified for use in the financial year are listed in appendix 2 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

4.1.6 In light of low inverstment returns, the Interim Executive Director of Resources & Regulation has obtained Cabinet approval to investigate alternative forms of investment; primarily property, which will yield a sustainable rental income at a higher rate than can be obtained via UK high street banks.

4.2 Creditworthiness policy

4.2.1 This Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

4.2.2 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Dark Pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light Pink 5 years for EMMFs with a credit score of 1.5
- Purple 2 years
- Blue 1 year (nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

4.2.3 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that supporting government.

4.3 Country limits

4.3.1 The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 3, although the Council's current approach is to use UK High Street Banks and other public bodies. The list of counterparties will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.4 Investment Strategy

4.4.1 **In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

4.4.2 **Investment returns expectations.** Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 4 of 2016. Bank Rate forecasts for financial year ends (March) are:

- 2016/17 0.75%
- 2017/18 1.25%
- 2018/19 1.75%

4.4.3 The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows:

2016/17	0.60%
2017/18	1.25%
2018/19	1.75%
2019/20	2.25%
2020/21	2.50%
2021/22	2.75%
2022/23	2.75%
2023/24	3.00%
Later years 3.00%	

4.4.4 The overall balance of risks to these forecasts is currently to the downside (i.e. start of increases in Bank Rate occurs later). However, should the pace of growth quicken and / or forecasts for increases in infletion rise, there could be an upside risk.

4.4.5 **Investment treasury indicator and limit** - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Maximum principal sums invested > 364 days			
£m	**2014/15**	**2015/16**	**2016/17**
Principal sums invested > 364 days	£10m	£10m	£10m

4.4.6 For its cash flow generated balances, the Council will seek to utilise its business reserve, instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

4.5 End of year investment report

4.5.1 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5.0 EQUALITY & DIVERSITY

5.1 An initial assessment has been undertaken and it is concluded that there will be no negative impact from this report.

COUNCILLOR RISHI SHORI
DEPUTY LEADER OF THE COUNCIL & CABINET MEMBER FOR FINANCE & HOUSING

For further information on the contents of this report, please contact:

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APPENDIX 1: Interest Rate Forecasts 2016 – 2019

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012

Capita Asset Services Interest Rate View													
	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Bank Rate View	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%
3 Month LIBID	0.50%	0.50%	0.60%	0.80%	0.90%	1.00%	1.10%	1.30%	1.40%	1.50%	1.60%	1.80%	1.90%
6 Month LIBID	0.70%	0.70%	0.80%	0.90%	1.00%	1.20%	1.30%	1.50%	1.60%	1.70%	1.80%	2.00%	2.20%
12 Month LIBID	1.00%	1.00%	1.10%	1.20%	1.30%	1.50%	1.60%	1.80%	1.90%	2.00%	2.10%	2.30%	2.40%
5yr PWLB Rate	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%
10yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%
25yr PWLB Rate	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.10%	4.10%
50yr PWLB Rate	3.20%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	3.90%	4.00%	4.00%	4.00%
Bank Rate													
Capita Asset Services	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%
Capital Economics	0.50%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	-	-	-	-	-
5yr PWLB Rate													
Capita Asset Services	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%
Capital Economics	2.60%	2.70%	2.80%	3.00%	3.10%	3.20%	3.30%	3.50%	-	-	-	-	-
10yr PWLB Rate													
Capita Asset Services	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%
Capital Economics	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%	3.95%	-	-	-	-	-
25yr PWLB Rate													
Capita Asset Services	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.10%	4.10%
Capital Economics	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%	3.95%	-	-	-	-	-
50yr PWLB Rate													
Capita Asset Services	3.20%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	3.90%	4.00%	4.00%	4.00%
Capital Economics	3.40%	3.50%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	-	-	-	-	-

APPENDIX 2: Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of 100% ** will be held in aggregate in non-specified investment

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	* Minimum credit criteria / colour band	** Max % of total investments	Max. maturity period
DMADF – UK Government	N/A	**100%**	**6 months**
UK Government gilts	UK sovereign rating	10%	5 years
UK Government Treasury blls	UK sovereign rating	10%	5 years
Bonds issued by multilateral development banks	UK sovereign rating		6 months
Money market funds	AAA	100%	Liquid
Enhanced money market funds with a credit score of 1.25	AAA	100%	Liquid
Enhanced money market funds with a credit score of 1.5	AAA	100%	Liquid
Local authorities	N/A	100%	5 years
Term deposits with banks and building societies	Blue Orange Red Green No Colour	100%	Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	100%	Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use
Corporate bond funds		10%	
Gilt funds	UK sovereign rating	10%	
Property funds		10%	

APPENDIX 3: Approved countries for investments

This list is based on those countries which have sovereign ratings of AA- or higher and also, (except - at the time of writing - for Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Capita Asset Services credit worthiness service.

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.K.
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium

(note the Council only invests in the highest rated UK institutions)

APPENDIX 4: DELEGATION AND RESPONSIBILITY

The following personnel are involved on a regular basis in Treasury Management: -

Interim Executive Director of Resources & Regulation (Steve Kenyon)	Overall supervision of Treasury Management function and cashflow. Regular reviews of Treasury Management Strategy and monitor performance.
Head of Financial Management (Andrew Baldwin)	Deputise for the Interim Executive Director of Resources & Regulation
Principal Accountant (Management Accountancy) (Jane Bunn)	Manage and undertake day to day Treasury Management Activities in accordance with Treasury Strategy and Policy Statement.
Senior Accountant (Joanne McIntyre)	Deputise for Principal Accountant in her duties as required.
Senior Accountant (Angela Sozansky)	Deputise for Principal Accountant in her duties as required.
Senior Accountancy Assistant (Stephen Blake)	Deputise for Principal Accountant in her duties as required.
Accountancy Assistant (Linda Hughes)	Standby for allocation of short term business via brokers.

Please note that the Council's signatories for treasury management transactions are :-

Steve Kenyon	Interim Executive Director of Resources & Regulation
Andrew Baldwin	Head of Financial Management
Kath Pope	Principal Finance Manager
Jane Bunn	Principal Accountant

APPENDIX 5: Treasury management scheme of delegation

(i) Full council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Boards/committees/Council/responsible body

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Body/person(s) with responsibility for scrutiny

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

APPENDIX 6: The treasury management role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

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