AGENDA FOR

CABINET

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To: All Members of Cabinet

Councillors : R Shori (Leader and Cabinet Member for Business Engagement and Regeneration (Chair)), J Lewis (Deputy Leader and Cabinet Member for Finance and Human Resources), S Walmsley (Cabinet Member for Strategic Housing and Support Services), A Quinn (Cabinet Member for Environment), T Holt (Cabinet Member for Health & Wellbeing), S Briggs (Cabinet Member for Children and Families), T Tariq (Cabinet Member for Communities), T Pickstone (without portfolio) and I Gartside (without portfolio)

Dear Member

Cabinet

You are invited to attend a meeting of the Cabinet which will be held as follows:-

Date:	Wednesday, 22 February 2017
Place:	Meeting Rooms A and B, Town Hall, Knowsley Street, Bury BL9 0SW
Time:	5.30 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 FOR ABSENCE

2 DECLARATIONS OF INTEREST

Members of Cabinet are asked to consider whether they have an interest in any of the matters of the Agenda, and if so, to formally declare that interest.

3 PUBLIC QUESTION TIME

Questions are invited from members of the public present at the meeting about the work of the Council and the Council's services.

Approximately 30 minutes will be set aside for Public Question Time, if required.

4 MINUTES *(Pages 1 - 4)*

To approve as a correct record the minutes of the meeting held on 25 January 2017.

5 CORPORATE FINANCIAL MONITORING REPORT - APRIL 2016 TO DECEMBER 2016 *(Pages 5 - 34)*

6 BUDGET 2017/2018 TO 2019/2020 *(Pages 35 - 102)*

7 DRAFT HOUSING REVENUE ACCOUNT 2017/2018 *(Pages 103 - 124)*

8 TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2017/2018 *(Pages 125 - 146)*

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: **THE CABINET**

Date of Meeting: 25 January 2017

Present: Councillor R Shori (in the Chair)
Councillors K S Briggs, I Gartside, T Holt, J Lewis, T Pickstone, A Quinn, T Tariq and S Walmsley

Apologies: -

Public attendance: 14 members of the public were in attendance.

CA.507 DECLARATIONS OF INTEREST

Councillor R Shori declared a personal interest that his partner is employed by the Council.

CA.508 PUBLIC QUESTION TIME

A period of thirty minutes was allocated for any members of the public present at the meeting to ask questions about the work or performance of the Council or Council services.

The Chair invited members of the public who had questions that did not relate to the agenda item Results of the Public Consultation on the Key Principles for the Bury Library Services and Next Steps. Those members of the public attending the meeting for the item were informed that there would be an opportunity to ask questions when the item was introduced.

No questions were asked on other issues.

CA.509 MINUTES

Delegated decision:

That the minutes of the meeting held on 14 December 2016 be approved and signed by the Chair as a correct record.

CA.510 RESULTS OF THE PUBLIC CONSULTATION ON THE KEY PRINCIPLES FOR THE BURY LIBRARY SERVICE AND NEXT STEPS

The Cabinet Member (Strategic Housing and Support Services) submitted a report presenting:-

- The summarised outcomes following the second public consultation on the library service;
- The outcomes of the Mott Macdonald (Management Consultants) "options development – impact assessment" research;
- The two possible options for the shape of the library service for the future:

OPTION 1:

- Retain three Libraries (Plus Service Wide Team to deliver the Core Service offer): Bury Library and Archives, Ramsbottom Library and Prestwich Library

OPTION 2:

- Retain four libraries (plus Service Wide Team to deliver the Core Service Offer): Bury Library and Archives, Ramsbottom Library, Prestwich Library and Radcliffe Library.

The Chair invited questions from the members of the public present.

Gary Hardman (Seedfield TRA) – The local community libraries help people to feel comfortable and empowered. Libraries have helped local people with events and to set up groups and are a valuable asset to their area. The Mott McDonald report appears to be flawed because usage has been measured on library membership and not users of library services and events. Would the Council consider a third option of closing two or more main libraries and using the resources to develop services in local community libraries?

Councillor Walmsley thanked Mr Hardman for his question and explained that the report recommended a public consultation on two options but would enable other suggestions to be put forward. In producing the report options it had been recognised that nationally book lending rates are down and Bury libraries must evolve their service offer to reflect the age range of the current users and meet requirements to attract new and younger users. This would include the provision of a comprehensive range of services including IT and digital packages.

Rob Trueblood – People will only travel to the library if the services and facilities offered there are worth it. Many people currently make good use of Bury Library because of its location across the road from the Job Centre. In order to make Bury Library a usable asset, will the Council increase the reading stock and space for browsing, enhance the IT facilities and ensure there is sufficient staff numbers to run the service and make it a premier destination?

Councillor Walmsley welcomed the question and explained that the Council has a statutory duty to provide a comprehensive and efficient library service. The public consultation will allow the Council to establish the needs and requirements of Bury residents and develop the service accordingly.

Nicola Haydock (Bury Green Party) – In view of the large financial investment made by the Council to establish the Bury Sculpture Centre and the low number of new visitors it has attracted and income it has generated; would the Council consider using the space taken by the Sculpture Centre as part of the options in Library public consultation?

Councillor Walmsley reported that the Council is looking at income generation in all areas but the Bury Sculpture Centre was not part of the review that has taken place on Libraries and was not included in the public consultation process.

Delegated decisions:

1. That Option 1 and Option 2, as detailed in the report submitted, be presented as the options for the public consultation.

2. That the final report be submitted to the meeting of Cabinet on 26 April 2017, to allow the public consultation to be 12 weeks.
3. That approval be given to the proposed new Timeline:-

    - Public Consultation on proposed models/options for change - 30 January – 10 April 2017
    - Final Report to Cabinet on decisions to be taken - 26 April 2017
    - Staff consultation - 1 May 2017 to June 2017
    - Implementation of proposals - From 1 July 2017

Reasons for the decision:
The Council must review its services and find ways of delivering savings over the next four years. The Council has a statutory duty to provide a comprehensive and efficient library service.

Other option considered and rejected:
To reject the recommendations.

Note: Councillors I Gartside and T Pickstone voted against the recommendation.

CA.511 HEALTH AND SAFETY - ANNUAL REPORT 2016

The Deputy Leader and Cabinet Member (Finance and Human Resources) introduced the Annual Health and Safety report. The Council's Health and Safety system is designed to implement standards that are set out in the Management of Health and Safety at Work Regulations and Health and Safety Executive (HSE) guidance on organisational health and safety management.

Details of the Key health and safety arrangements that are under development by the Council, Key areas of progress and Key indicators and trends were listed in the report. Copies of the Occupational Health and Safety National Agenda and Strategies, statistical data, the Corporate Health and Safety at Work Plan and Departmental developments and plans were appended to the report.

Delegated decisions:

1. That the contents of the report, with particular reference to the Corporate Health and Safety Work Plan update (Appendix 2) and the Departmental Developments and Plans (Appendix 4), be noted.
2. That the future work themes as detailed in paragraph 3.3 of the report submitted be endorsed.

Reasons for the decision:
The Health and Safety Annual Report represents a core element of the Council's Health and Safety Management system providing for the welfare of staff, service management arrangements and standards. It is good practice that the Health and Safety Report is submitted on an annual basis.

Other option considered and rejected:
To reject the recommendations.

CA.512 BURY MAYORALTY 2017/2018

The Chair reported that Councillor Dorothy Gunther had been proposed as the Mayor of Bury for 2017/2018.

Recommendation to Council:

That Councillor Dorothy Gunther be proposed as the Mayor of Bury for 2017/2018.

COUNCILLOR R SHORI
Chair

(Note: The meeting started at 6.00pm and ended at 6.55pm.)

NOTICE OF KEY DECISION

Bury COUNCIL

Agenda Item	

MEETING:	**OVERVIEW & SCRUTINY COMMITTEE** **CABINET**
DATE:	**16 FEBRUARY, 2017** **22 FEBRUARY, 2017**
SUBJECT:	**CORPORATE FINANCIAL MONITORING REPORT – APRIL 2016 TO DECEMBER 2016**
REPORT FROM:	**DEPUTY LEADER OF THE COUNCIL AND CABINET MEMBER FOR FINANCE AND HUMAN RESOURCES**
CONTACT OFFICER:	**STEVE KENYON, INTERIM EXECUTIVE DIRECTOR OF RESOURCES & REGULATION**

TYPE OF DECISION:	**FOR INFORMATION**
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 2016 to December 2016 and projects the estimated outturn at the end of 2016/17. 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 2016.

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.

	Additionally, a series of measures were drawn up to address the extremely difficult financial situation facing the Council in 2016/17 and these are detailed in par. 3.6 on pages 4 and 5 of this report.
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 have become apparent which will need remedial action. Members and officers will be examining these areas in more detail at the council wide Star Chamber meeting.
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
06/02/17	**22/02/17**	**16/02/17**			

1.0 INTRODUCTION

1.1 This report informs Members of the forecast outturn for 2016/17 based upon current spend for the period 1 April 2016 to 31 December 2016 in respect of the revenue budget, capital budget, treasury management 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 exist in some key areas and it is necessary to continue to examine options for improving the situation further.

2.0 BUDGET MONITORING PROCESSES

2.1 Reports are 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	69,873	72,299	**+2,426**
Resources & Regulation	3,396	4,257	**+861**
Children, Young People & Culture	35,323	37,894	**+2,571**
Non Service Specific	16,943	13,916	**(3,027)**
TOTAL	**125,535**	**128,366**	**+2,831**

3.2 The projected overspend of **£2.831m** represents approximately **2.25%** of the total net budget of £125.535m. This is a reduction in the projected overspend from both months 3 and 6.

3.3 An overview of the reasons for this variance is outlined in the table overleaf; more detailed analysis is provided in section 4 of the report.

Month 9 Reason	Communities & Wellbeing £'000	Children Young People & Culture £'000	Resources & Regulation £'000	Non Service Specific £'000	TOTAL £'000
Demand Pressures	3,734	2,567	429	290	**7,020**
Delayed Achievement of Cuts Options	2,175	0	0	0	**2,175**
Non-Achievement of Cuts Options	0	333	52	0	**385**
Income Shortfall	264	0	1,173	0	**1,437**
Planned use of one-off funding	-2,625	257	0	0	**-2,368**
Continued Impact of 10 Control Measures	-1,122	-586	-793	0	**-2,501**
Other	0	0	0	-3,317	**-3,317**
TOTAL	**2,426**	**2,571**	**861**	**-3,027**	**2,831**

3.4 Members need to be aware that financial reporting involves an element of judgement, and this particularly applies to the treatment of budget pressures.

3.5 However it is felt appropriate to alert Members to potential problems at earliest possible 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.

3.6 Due to the extremely difficult financial situation facing the Council in 2016/17 the Senior Leadership Team agreed and drew up an action plan with some immediate additional spending controls, which were over & above usual rules.

These included:

1. Recruitment freeze on staff and new agency placements (exceptions to be signed off by SLT);

2. Release of all existing casual / agency staff (exceptions to be signed off by SLT);

3. Cease overtime / additional hours (exceptions to be signed off by SLT);

4. Enter into no new training commitments, and review existing arrangements (exceptions to be signed off by SLT);

5. Re-launch Work Life Balance options around reduced hours / purchase of leave;

6. Cease spend on discretionary budgets; stationery, office equipment etc;

7. Cease spend on IT / Communications (exceptions to be signed off by SLT);

8. Any spend greater than £250 to be signed off by Executive Director;

9. Any new contractual commitments greater than £5,000 (lifetime value of contract) to be signed off by SLT;

10. Consider "in year" budget options – e.g. previously unidentified efficiencies, review of non-key services.

3.7 These were communicated to staff on 9 August and compliance with these continues to be monitored. It is expected that these actions will not only continue to help to reduce the financial burden facing the Council within the current year but for as long as is necessary.

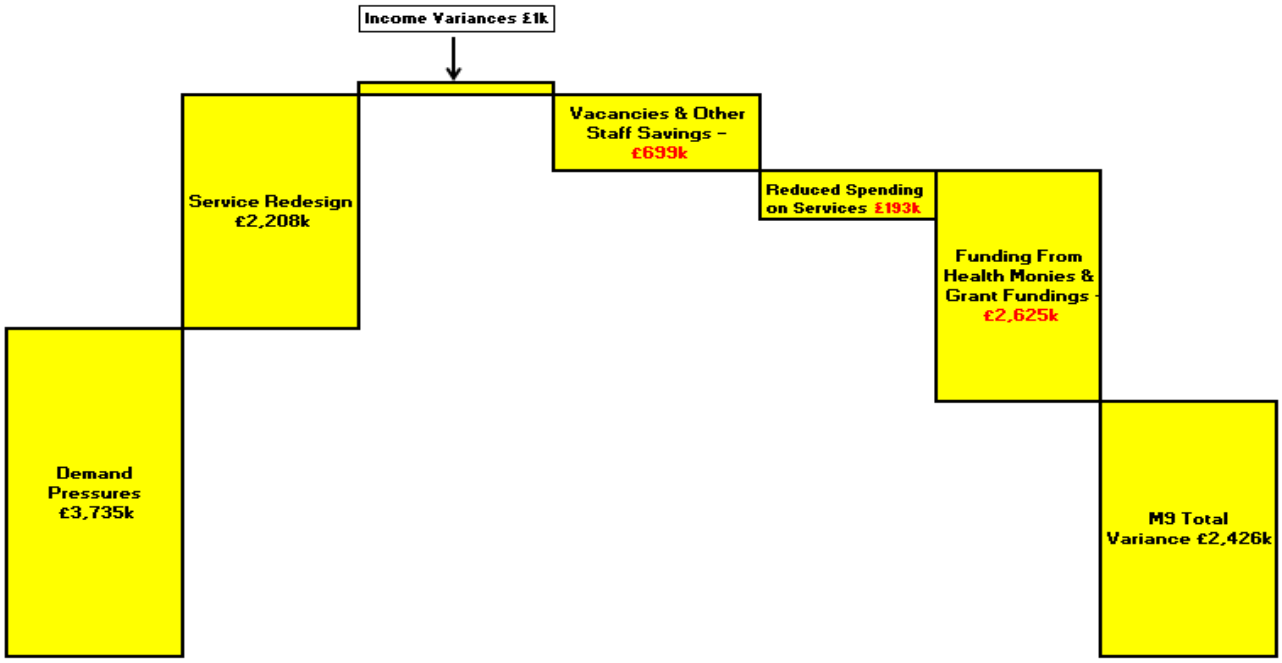
3.8 In addition to these measures, Executive Directors have been tasked with preparing "turnaround" plans as a matter of urgency for their Departments, to ensure that levels of expenditure are controlled and sustainable going forward.

4.0 SERVICE SPECIFIC FINANCIAL MONITORING

4.1 COMMUNITIES AND WELLBEING

4.1.1 The current projected overspend for Communities and Wellbeing is **£2.426m.**

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



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

Theme	Variance £'000	Reason	Action Being Taken
Demand Pressures	+3,735	Care in the Community budgets – £3,144k (Reason: Pressure largely around Domiciliary Care, Residential Care and Self Directed Support Budgets).	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.
		Falcon & Griffin Care Home - £85k (Reason: Staffing Budget Pressure).	Overspend is the result of an unavoidable staffing pressure.
		Sheltered housing - £3k (Reason: Variance not material and is the sum of several small overspends).	No action other than continued monthly budget monitoring.
		Safeguarding Team - £272k (Reason: Deprivation of Liberty Safeguarding Pressure).	The supreme court judgement of P v Cheshire West and 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.
		Killelea - £122k (Reason: Staffing Cost Pressures).	This service is under review.
		Assessment & Care Management - £61k (Reason: Staffing Cost Pressures).	The £61k overspend is only 1.7% of the net £3.6m A&CM budget. However, Senior management will continue to review staffing pressures and act accordingly.
		Adult Care Service Training - £42k (Reason: Bury Adult Learning Centre rental costs).	This overspend is more than offset by the projected underspend within HR staff budget.
		Quality Assurance & service design - £6k small variations across the service.	No action other than continued monthly budget monitoring.

Theme	Variance £'000	Reason	Action Being Taken
Service redesign (Note: A number of Budgets have yet to achieve savings target against specific schemes, as a consequence this is partly/wholly the reason for the overspends)	+2,208	ACS Senior Management - £1,158k (Reason: Pooling of Unallocated 2016/17 Savings).	For reasons of clarity/ transparency a decision was taken by CWB Senior Management team to pool the remaining unallocated 16/17 savings into the ACS Senior Management budget. Proactive action plans being developed across all AD areas of responsibility to allocate and achieve saving target.
		Reablement Service - £247k (Reason: Delay in achieving savings target).	Proactive action plans being developed to allocate and achieve saving target.
		Urban Renewal Holding Account - £72k (Reason: Delay in achieving savings target).	Proactive action plans being developed to allocate and achieve saving target.
		Domestic refuse collection - £350k (Reason: Delay in achieving Round Optimisation Savings).	A financial recovery plan is in place looking at a range of options including new technology and more efficient ways of working.
		Leisure - £348k (Reason: Delay in achieving savings).	A Growth and Investment Plan is in place, which has identified various plans/objectives e.g. more commercially focused website, new classes / equipment / new sports technology, and up skilling staff.
		Grounds Maintenance - £33k Severance payments.	Seek to reduce spend within the service.
Income variances	+1	Accommodation Team – (£165k) (Reason: "one-off" income).	Additional income relates to an income stream regarding a project for accommodating asylum seekers.
		Housing Choices - £4k (Reason: Income Shortfall).	This service is Identifying opportunities to reduce spending on services.
		Integrated Community Equipment Service (ICES) – (£17k).	Continue to monitor CCG income activity at a prudent level.
		Employment Support – (£69k) (Reason: CCG Income Forecast greater than 16/17	This is a self-funded budget which is expected to exceed income target.

Theme	Variance £'000	Reason	Action Being Taken
		budget provision). Civics - £110k (Reason: Difficulty in achieving income targets). Beverage and Cafe Service - £90k (Reason: Difficulty in achieving income targets). Public Convenience - (£12k) (Reason: Additional income from TFGM regarding bus station public conveniences). Trade Waste - £45k (Reason: Difficulty in achieving income targets).	 Service to be reviewed including a restructure of the management team and the merger of a number of budgets. The Beverage Service is being reviewed in line with the Civic review. Forecast underspends will be used to offset pressures within other areas of the CWB budget. A deficit action plan has been put in place.
Vacancies and Other Staff Cost Savings	-699	Vacancy within Park Rangers has not been filled - (£14k) (Reason: Staff Vacancies). Sheltered Housing Support - (£57k) (Reason: Staffing Vacancies). Performance & Housing Strategy (£1k) (Reason: Staffing Vacancies). Policy & Improvement (£90k) (Reason: Staffing Vacancies). Customer Services & Customer Engagement (£53k) (Reason: Staffing Vacancies). Asset Management (£58k) (Reason: Staffing Vacancies). Commissioning &	Savings to be used to support other areas within Parks and Countryside. Forecast underspends may be used to offset pressures within other areas of adult care service budgets.

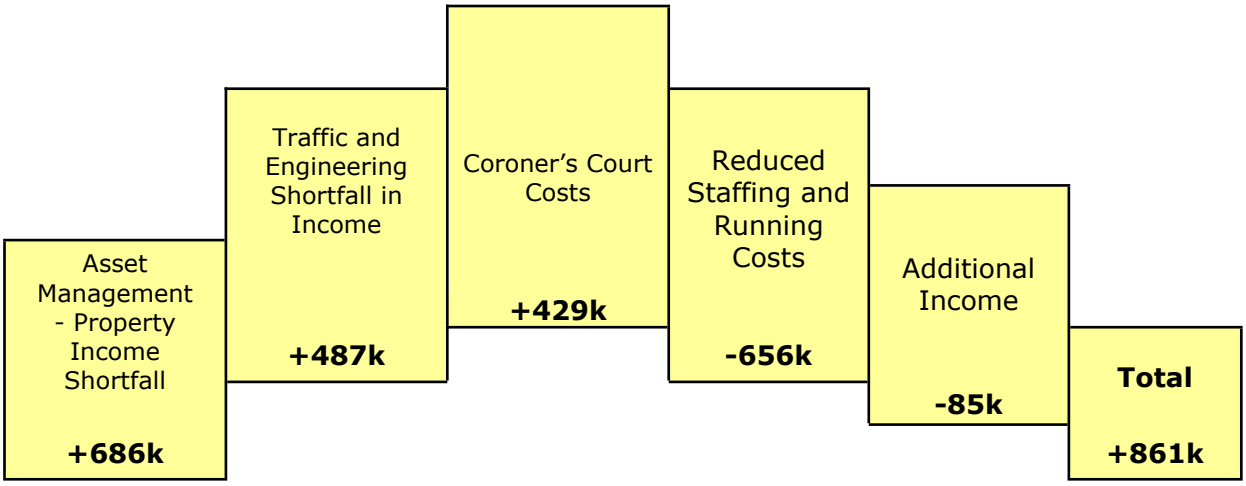
Theme	Variance £'000	Reason	Action Being Taken
		Procurement Team (£111k) (Reason: Staffing Vacancies). Strategic Commissioning Team (£95k) (Reason: Staffing Vacancies). Performance & Intelligence Team (£58k) (Reason: Staffing Vacancies). Older People Mental Health Team (£38k) (Reason: Staffing Vacancies). HR Staffing (£62k) (Reason: Staffing Vacancies). ACS Finance (£31k) staffing Vacancies. Sports Development (£31k) staffing vacancies.	Forecast underspends may be used to offset pressures within other areas of adult care service budgets.
Reduced Spending on Services	-193	Preventing Homelessness – (£85k) (Reason: Reduced funding on landlord accreditation schemes, and reduced spend on bond scheme and Youth Homelessness). Public Conveniences - (£13k) - refund from utilities. Street Cleaning - (£10k) - reduced fuel cost. Transport - (£65k) - reduced leasing charges. Awareness team - (£20k) - Underspend of the publicity budget.	Forecast underspends may be used to offset pressures within other areas of adult care service budgets. Forecast underspends may be used to offset pressures within other areas of adult care service budgets.

Theme	Variance £'000	Reason	Action Being Taken
Funding from Health Monies & Grant Funding	-2,625	Funding to support the demand pressures of the Care in the Community budgets - (£2,525k). Contribution to healthy Lifestlye services - (100k).	The funding to support pressures within the community care budget is derived from a combination of historic underspends from Adult Care specific grants and Health monies. One off contribution in 2016/17 towards healthy Lifestyle service.

4.2 RESOURCES AND REGULATION

4.2.1 The Resources & Regulation Department is forecasting an overall overspend of **£0.861m.**

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



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

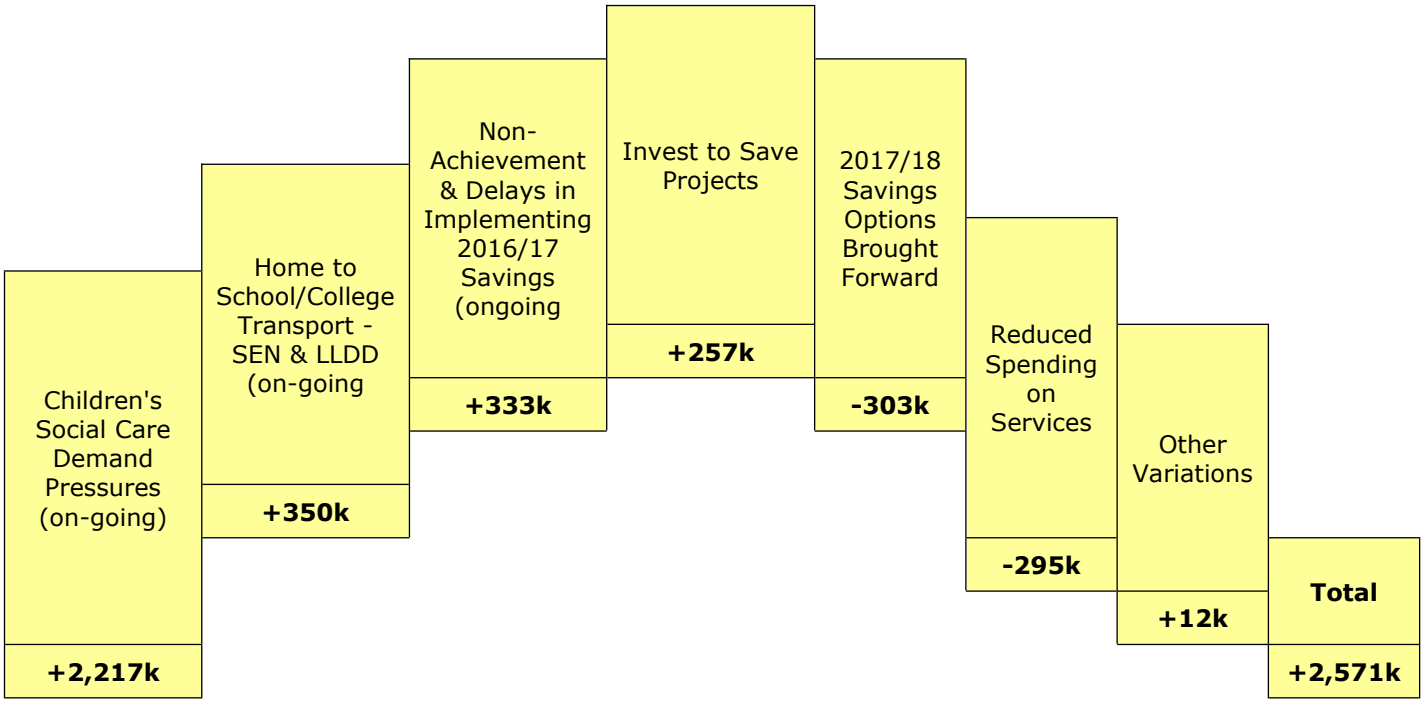
Activity	Variance £'000	Reason	Action Being Taken
Property Services	+686	Shortfall in income due to low level of rents that can be charged in the current economic climate.	The Council has introduced two important strategies which will address the instability in property income. Through implementing the 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. Four properties already acquired – expected to produce £493,000 p.a. in new income.
Traffic & Engineering	+487	Estimated shortfalls in income relating to on- and off-street parking and parking fines (+£227k), Greater Manchester Road Activities Permit Scheme (GMRAPS) (+£75k), coring (+108k), bus lane enforcement (+£100k) offset by additional TFGM income (23k).	Monitor income levels, and adjust expenditure where possible. GMRAPS scheme to be examined further.

Coroners Court Costs	+429	There are legislative requirements 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 continue to be held between Coroner's Court and staff from Rochdale, Oldham and Bury Councils to assess the issue in more detail, and identify efficiencies in the service.
Reduced Staffing and Running Costs	-656	Vacant posts not filled and tightening of controllable expenditure across the department. Salaries and running costs savings in Finance & Efficiency Management (£148k), Finance & Efficiency (£235k), Planning & Development (£75k), HR (£72k), Stores (£46k), Customer Support & Collections (£38k), Licensing (£23k), Architects (£15k) and Admin Buildings (£4k).	To be used to assist in reducing the forecast overspend within the department in 2016/17 and part included within the 2017/18 cuts.
Additional Income	-85	Higher than expected income achieved from the Alarm Monitoring service (£20k), Payroll external business (£28k), HR (£26k), Building Control (£6k) and Licensing (£5k).	To be used to assist in reducing the estimated overspend within the department.

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 **£2.571m.**

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: +2,217 (ongoing)			
Leaving Care	+880	Spending on housing and further education of 19+ year old students who have left our care.	This budget is forecast to overspend significantly on housing as the service continues to support a number of young people in high cost placements who were previously accommodated within the Children's Agency Budget.
Safeguarding	+303		The forecast overspend is due to the levels of spend on agency staff cover, coupled with a significant increase in external legal fees.
Looked After Children	+77		The overspending is due to extra agency staff, who are covering for staff acting up into management posts. There has been an increase in the agency costs due to the Ofsted Action Plan and vacancy cover.
Advice & Assessment	+56		Additional staffing and spending to meet increased demand.
Children's Agency	+901	Continuing increased demand.	Fieldwork placements remain volatile, including a high cost fieldwork residential placement of approx £7,000 per week. The forecast has increased in month 9 due to 2 new residential packages (£50,000), 2 new Independent Foster Agencies (£25,000) and changes to existing packages, offset by the reduction of 2 existing residential packages (-£77,000).
Home to School/College Transport (SEND & LLDD) +350 (ongoing)			
Home to School Transport – SEND (Special Educational Needs & Disabilities)	+290	Continuing increased demand.	The overspending is due to increases in demand for Transport for SEND pupils that have continually occurred during recent years. In previous years, the overspending was partially offset by underspendings on Bus Escorts, which are not now available in the current financial year.
Home to College Transport – LLDD (Post-16 Learners with Learning Difficulties & Disabilities)	+60	Continuing increased demand.	The forecast overspending is in line with previous years' levels.

Non-achievement and delays in Implementing Savings +333 (ongoing)			
Arts	+136		An income budget of £136,000 was added to this budget in 2013 prior to the transfer to CYP&C. This income budget has not been achieved since its introduction.
Statutory & Regulatory	+97		At the beginning of 2016, it became apparent that the financial problems within the Dedicated Schools Grant meant that the 2016/17 savings option "External Funding Optimization" amounting to £900,000 would not be achieved. The original forecast overspending was £660,000, which has significantly reduced due to lower spending within the Department and the introduction of the "10 Measures".
Catering	+100		2016/17 savings option - £200,000 A number of schools have decided to make their own arrangements for the provision of school meals in their school, which has reduced the contribution to the service's fixed costs thereby worsening the financial position. In addition, the new CYPAD system is struggling to interface with the existing financial management information systems, meaning that the intended efficiencies to pay for the CYPAD system will not occur.
Invest to Save projects +257			
Reach Out project (Adolescent Support Unit – ASU)	+200		The Reach Out project is an ASU that will lead to better provision for young people in a much lower cost setting than external residential provision. Future on-going costs will be more than offset by savings mainly within the Children's Agency budget (see above). The overspending has reduced due to the staff now being appointed with start dates staggered over December and January.
Arts	+57		The increase in overspend is due to the Invest to Save that has been agreed to be extended to January 2018, with the aim that it will generate income in future years.

2017/18 Savings Options brought forward -303			
Early Years	-119		Non-filling of vacancies and reduced spending.
Finance and Human Resources	-50		Non-filling of vacancies and reduced spending.
Pension payments to former teachers and lecturers	-134		Declining numbers of former employees eligible to be members of the Teachers Pension Scheme. These enhanced lifetime pension benefits above the standard scheme were mainly awarded prior to April 1993 as a means of reducing the number of staff employed in schools and FE colleges.
Reduced Spending on Services -295			
Fostering and Adoption	-211		Foster care payments and Adoption Allowances have been updated to include deductions for Child Tax Credits where appropriate, and spending restrictions on requests for additional support for carers have resulted in lower than previously calculated allowances. The Adoption placements fees received are far higher than those due to be paid in the current financial year.
Short Breaks service	-36		This forecast reflects the current level of support for children with disabilities. Currently supporting 4 high cost end-of-life support packages. Direct payments can be funded through the High Needs Block of the Dedicated Schools Grant. In 2016/17, the service has received funding of £300,000, which is helping to alleviate some of the financial pressures on the Department's General Fund budget.
Early Help	-24		Savings of a one-off nature due to staff secondments, delays in filling vacancies and replacing staff on lower pay-scale points.
Other	-24		Includes Home to School Transport (non-SEND) and the Youth Offending Service.

4.4 NON-SERVICE SPECIFIC

4.4.1 There is a forecast net underspend of **£3.027m**. An overspend of £0.290m on Corporate Management costs is offset by additional Airport Dividend of £1.106m and underspends in Treasury Management activity.

5.0 CAPITAL BUDGET

5.1 Capital Programme

5.1.1 The revised estimated budget for the Capital Programme 2016/17 at the end of December is shown in the table below:

2016/17	£m
Original Capital Programme	25.192
Approved Slippage from 2015/16	17.015
In year adjustments and contributions	5.049
Revised Capital Allocation at Quarter 3	**47.256**
Estimated re-profiled projects into 2017/18	(13.547)
Revised working budget for Year at Qtr 3	**33.709**

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 2016/17 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 £13.547m of the 2016/17 budget has been identified for re-profiling into 2017/18. Most of this amount is attributed to Children Services Projects where the schemes are funded mainly by grants from Department of Education to a total of £9.558m.

The remainder is attributable to Highways Traffic Calming schemes namely the A56 Prestwich Village Corridor Improvements with a total of £1m, an amount of £0.617m on Empty Property Strategy schemes, Street Lighting Invest to Save of £0.819m, other Highways schemes to a total of £1.079m and Planning schemes of £0.177m.

5.2 Expenditure

5.2.1 The Forecast Outturn as at Month 9 is £34.054m and Budget Managers have reported that they expect to spend up to this amount by 31 March 2017.

5.2.2 The actual expenditure after accruals, realised by the end of Month 9 totals £21.865m.

5.2.3 The main areas to record expenditure to the end of the third quarter are:

- Property Investment and Redevelopment Schemes £4.360m
- Children's, Young People and Culture £4.260m
- Highways Schemes £1.641m
- CWB –Radcliffe Pool Demolition £0.747m
- CWB – Play Areas £0.165m

- CWB – DFG £0.650m
- Housing Public Sector £9.339m

5.3 Variances

5.3.1 Appendix A provides details of variances for each scheme based on latest available information received from budget managers and at Month 9 it shows a projected overspend for the Programme of £0.345m. It is expected that this amount will reduce by the year end as schemes are finalised and more details of payments outstanding schemes become available. There are a small number of projects showing a negative variance in their forecast and these are closely monitored and analysed by budget managers. Remedial actions can be applied if required as soon as the assessed risk is deemed to result in an overspend and negatively affects the programme or its outcomes.

5.3.2 Brief details for all variances are provided in Appendix A attached with this report.

5.4 Funding

5.4.1 The funding profile included in Appendix A shows the resources available to cover the Capital Programme during 2016/17.

5.4.2 The principal source of funding for Capital schemes approved for the 2016/17 programme is made of external resources together with resources unspent and carried forward from previous years. The Council and Cabinet have also approved allocations for the year towards the refurbishment of The Met and development of an Adolescent Support Unit that will be supported by £1.5m of Council's own resources.

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 2017/18 and the expected resources to be supported by the Council as at the end of Quarter 3 of the year.

2016/17 Use of Council Resources for Capital Investment	**£m**
Revised Capital Programme allocation for the year	33.709
Use of external funding and contributions	28.115
Balance of programme relying on Council resources	**5.594**
Use of Capital receipts and earmarked reserves	1.074
Use of Prudential Borrowing (2016/17 approved schemes)	4.202
Use of Prudential Borrowing (2015/16 schemes brought forward)	0.318
Total Council Resources used to support the Capital Budget for Year	**5.594**

5.5 Capital Programme Monitoring

5.5.1 The programme will continue to be monitored closely during the remaining quarter of the year by CPMG and Management Accountancy with an aim to deliver the Council's capital schemes on cost and on time with minimum slippage into 2017/18.

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 £1.010m at the end of 2016/17. The projected outturn shows a working balance carried forward of £1.020m. 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 1.8% which is worse than the 1.6% void target level set in the original budget but an improvement on the 2nd quarter position. If this performance continues for the rest of the year there will be a reduction in rental income of £66k over the original budget; the projections of rental income in Appendix B have been calculated on this basis however further improvement is anticipated. The level of void loss was affected by the number of decant properties being provided for those tenants affected by the 2015 Boxing Day floods however this should not be a factor in the performance for the rest of the financial year.

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 £1.166m, an increase of 0.8% since the end of March. This is a significant improvement on the increase reported at the end of quarter 2 (9.6%) and is primarily due to payments made by those in arrears during the non rent collection weeks at the end of December. Of the total arrears £0.490m relates to former tenants and £0.676m relates to current tenants. Approximately £0.196m of current tenant arrears are in cases where either the under occupancy charge applies or the tenants are in receipt of Universal Credit rather than Housing Benefit.

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 arrears, 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 £0.220m to be made.

The 2016/17 HRA estimates allow for additional contributions to the provision totalling £0.481m, £0.180m for uncollectable debts and £0.301m to reflect the potential impact that welfare benefit changes could have on the level of rent arrears. Therefore there is a potential underspend of £0.261m. The projected outturn has not been amended to reflect this as rent arrears are volatile and the impact of increased numbers of Universal Credit cases coupled with further benefit changes is ongoing.

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 41 sales in 2014/15 and this increased to 47 sales in 2015/16.

The forecast for 2016/17 was set at 50, this being an increase of 6 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 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 now stands at £77,900.

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

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.

There have been 46 sales in the period April to December. This is an increase of 10 over the same period last year. Based on this level of activity it would seem likely that the total number of sales will exceed the original forecast.

The forecast has been amended from 63 (at quarter 2) to 60, with the additional 10 forecast sales (over the original budgeted figure of 50) resulting in a reduction in rental income of around £19k in the current year; the projections of rental income in Appendix B have been calculated on this basis.

6.5 Starting from April this year properties becoming empty are re-let at their higher target rents; based on the properties moved to target rents in the first 9 months of the year (543 properties) it is estimated that an additional £117k of rental income will be generated in the current year; the projections in Appendix B have been calculated on this basis.

6.6 The Welfare Reform and Work Act requires a 1% reduction in social housing rents for 4 years from 2016/17 which has a significant impact on future HRA resources; the impact of this and other changes contained in the Housing and Planning Act are being assessed as information becomes available. It has been confirmed that the 1% reduction will apply to rents of Sheltered properties from next year.

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 2016/17 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 2016/17 (approved by Council on 24 February 2016) with the revised projections as at 31 December 2016. The variances can be seen in the Appendix together with explanatory notes. The Prudential Indicators were not breached during the first nine months of 2016/17.

8.0 TREASURY MANAGEMENT

8.1 Investments:

8.1.1 At the 31st December 2016 the Council's investments totalled £33.8m and comprised:-

Type of Investment	£m
Call Investments (Cash equivalents)	18.8
Fixed Investments (Short term investments)	15.0
Total	**33.8**

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 third quarter of 2016/17.

8.1.3 The Council has earned the following return on investments:
Quarter 1 0.72%
Quarter 2 0.60%
Quarter 3 0.47%

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 2016/17, of 0.25%

8.2 Borrowing:

8.2.1 No additional borrowing was undertaken in the quarter to 31st December 2016.

8.2.2 At 31st December 2016 the Council's debts totalled £196.314m and comprised:-

		31 December 2016		
		Principal		Avg.
		£000	£000	Rate
Fixed rate funding				
	PWLB Bury	131,453		
	PWLB Airport	2,358		
	Market Bury	62,500	196,311	
Variable rate funding				
	PWLB Bury	0		
	Market Bury	0	0	

Temporary Loans / Bonds	3	3	
Total Debt		**196,314**	**3.95%**

8.2.3 The overall strategy for 2016/17 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 2016/17, then savings will be made by running down investments and taking shorter term loans rather than more expensive long term borrowing.

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 2016 per Accounts	**10.063**
Less : Minimum balances to be retained in 2016/17 Less : Forecast overspend at Month 6	-4.250 -2.831
Forecast Available balances at 31 December, 2016	**+2.982**

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 2016/17 and using information currently to hand on the likely achievement of cuts options, there is no reason at present to take the minimum level of balances above the existing level of £4.250m.

9.3 In light of the above assessment it is recommended that the minimum level of balances be retained at **£4.250m**.

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 It is anticipated that Q3 Star Chambers will take place during February 2017.

Councillor Jane Lewis, Deputy Leader of the Council and Cabinet Member for Finance and Human Resources

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List of Background Papers:-
Finance Working Papers, 2016/17 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

		(1) 2016/17 Original £000's	(2) Slippage £000's	(3) Adjust-ments £000's	(4) Revised Estimate £000's	(5) Reprofiled to Future £000's	(6) Revised Estimate £000's	(7) Forecast Outturn £000's	(8) - 2016/17 £000's	(9) Month 9 Variance / £000's
Children, Young People & Culture	Support Services			56	56	(44)	12	12	**12**	-
Children, Young People & Culture	DFES - Devolved Formula	500	815	(23)	1,292	(841)	451	453	**423**	1
Children, Young People & Culture	NDS Modernisation	4,887	5,293	1,235	11,415	(8,480)	2,935	2,939	**2,265**	5
Children, Young People & Culture	Access Initiative		10		10	(9)	1	1	**0**	-
Children, Young People & Culture	Targetted Capital Funds		85		85	(80)	4	4	**4**	-
Children, Young People & Culture	Upgrade and remodel Radcliffe Hall	800	96		896		896	896	**896**	-
Children, Young People & Culture	New Adolescent support unit	500		9	509		509	508	**508**	(0)
Children, Young People & Culture	Children Centres		18		18	(5)	14	14	**12**	-
Children, Young People & Culture	Free School Meal Capital Grant		32		32	(22)	10	10	**10**	-
Children, Young People & Culture	Early Education Fund		248		248	(76)	172	172	**113**	-
Children, Young People & Culture	Protecting Play Fields		30		30		30	30	**17**	-
Communities & Wellbeing	Contaminated Land		21		21	(14)	7	7	-	-
Communities & Wellbeing	Air Quality		9		9	(9)	-	-	-	-
Communities & Wellbeing	Heat Network In Bury TC		72		72	(54)	17	17	-	-
Communities & Wellbeing	Play Areas		118	47	165	-	165	165	150	0
Communities & Wellbeing	Demolition of Radcliffe Pool		218	529	747		747	747	684	-
Communities & Wellbeing	Learning Disabilities		18		18	(116)	(98)	135	142	233
Communities & Wellbeing	Improving Info.Management		32		32	(32)	-	-		-
Communities & Wellbeing	Older People	455	**332**	37	825	(31)	794	561	58	(233)
Communities & Wellbeing	Empty Property Strategy	205	643	(205)	643	(617)	26	26	17	(0)
Communities & Wellbeing	Housing development - Urban Renewal		4		4		4	3		(1)
Communities & Wellbeing	Disabled Facilities Grant	781	66	219	1,066		1,066	1,061	650	(5)
Communities & Wellbeing	Waste Management		53		53		53	53	53	0
Resources & Regulation	Street Lighting LED Invest to Save	1,046	396	745	2,187	(819)	1,368	**1,368**	**650**	-
Resources & Regulation	Traffic Management Schemes		350		350	(250)	100	**100**	**57**	(1)
Resources & Regulation	Prestwich Town Centre		1,982		1,982	(1,000)	982	**982**	**15**	(0)
Resources & Regulation	Planned Maintenance	1,233	1,294	(530)	1,998	(75)	1,923	**1,923**	**676**	-
Resources & Regulation	Bridges	475	287	(50)	712	(376)	336	**336**	**181**	-
Resources & Regulation	Traffic Calming and Improvement	450	283		733	(378)	355	**442**	**62**	87
Resources & Regulation	Development Group Projects		111		111	(11)	99	**99**	**25**	-
Resources & Regulation	Planning Environmental Projects	214	280	206	700	(166)	534	**345**	**265**	(189)
Resources & Regulation	Corporate ICT Projects	71	81		152		152	-	**70**	(152)
Resources & Regulation	Corporate Property Initiatives		276	2,498	2,774		2,774	2,854	**2,727**	80
Resources & Regulation	Radcliffe Market Redevelopment		(100)		(100)		(100)	**(100)**		(0)
Resources & Regulation	Radcliffe TC Bus Station Relocation		1,000		1,000		1,000	**1,003**	1,003	3
Resources & Regulation	12 Tithebarn Street		45		45	(40)	5	**5**		-
Resources & Regulation	The Met Theatre Refurbishment	1,000	(250)		750		750	**750**	**629**	-
Resources & Regulation	Concerto Asset Management Software		9		9		9	**9**	**7**	-
Resources & Regulation	William Kemp Heaton LD Centre Demolition							**88**	**87**	88
Resources & Regulation	Howarth Close LD Centre Demolition							**59**	**59**	59
Housing Public Sector	New Energy Development Organisation (NEDO) works			156	156		156	156	**284**	-
Housing Public Sector	Fernhill Site			16	16		16	16	**11**	-
Housing Public Sector	Play Areas/St Lighting			113	113		113	113	**49**	0
Housing Public Sector	Disabled Facilities Adaptations	572	75	(9)	638		638	548	**222**	(90)
Housing Public Sector	Major Repairs Allowance Schemes	7,886			7,886		7,886	8,345	**1,971**	459
Housing Public Sector	Major Repairs Allowance Schemes	4,119	2,683		6,802		6,802	6,802	**6,802**	-
Total Bury Council controlled programme		**25,192**	**17,015**	**5,049**	**47,256**	**(13,547)**	**33,709**	**34,054**	**21,865**	**345**

Funding position:

Capital Receipts		***800***	627	53	1,480	(406)	1,074	1,420
Reserve / Earmarked Capital Receipts		***276***	2,470	384	3,130	(617)	2,513	2,513
General Fund Revenue		***137***	3	158	298	-	298	298
Housing Revenue Account		***4,119***	2,758	313	7,190	-	7,190	7,190
Capital Grants/Contributions		***9,726***	9,708	1,642	21,076	(10,848)	10,228	10,228
HRA/MRA Schemes		***7,886***		-	7,886	-	7,886	7,886
Supported Borrowing		-		-				
Unsupported Borrowing		***2,248***	1,449	2,498	6,195	(1,677)	4,518	4,518
		25,192	**17,015**	**5,049**	**47,256**	**(13,547)**	**33,709**	**34,054**

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 2016 - December 2016

	2016/17 Original Estimate £	2016/17 Latest Estimate £	2016/17 Projected Outturn £	2016/17 Variation Over/(Under) £
INCOME				
Dwelling rents	29,586,000	29,586,000	29,625,400	(39,400)
Non-dwelling rents	216,300	216,300	203,012	13,288
Heating charges	66,300	66,300	66,017	283
Other charges for services and facilities	921,500	921,500	897,800	23,700
Contributions towards expenditure	53,900	53,900	42,700	11,200
Total Income	30,844,000	30,844,000	30,834,929	9,071
EXPENDITURE				
Repairs and Maintenance	0	0	0	0
General Management	859,900	859,900	857,700	(2,200)
Special Services	792,200	792,200	846,800	54,600
Rents, rates, taxes and other charges	103,500	103,500	94,400	(9,100)
Increase in provision for bad debts - uncollectable debts	180,400	180,400	181,100	700
Increase in provision for bad debts - impact of Benefit Refo	300,700	300,700	301,800	1,100
Cost of Capital Charge	4,468,000	4,468,000	4,432,600	(35,400)
Depreciation/Impairment of fixed assets - council dwellings	7,771,500	7,771,500	7,771,500	0
Depreciation of fixed assets - other assets	42,300	42,300	42,391	91
Debt Management Expenses	40,600	40,600	40,600	0
Contribution to/(from) Business Plan Headroom Reserve	(2,183,100)	(2,183,100)	(2,183,100)	0
Total Expenditure	12,376,000	12,376,000	12,385,791	9,791
Net cost of services	(18,468,000)	(18,468,000)	(18,449,138)	18,862
Amortised premia / discounts	(13,300)	(13,300)	(13,300)	0
Interest receivable - on balances	(55,800)	(55,800)	(55,800)	0
Interest receivable - on loans (mortgages)	(700)	(700)	(455)	245
Net operating expenditure	(18,537,800)	(18,537,800)	(18,518,693)	19,107
Appropriations				
Appropriation relevant to Impairment	0	0		0
Revenue contributions to capital	5,149,200	5,149,200	5,120,100	(29,100)
(Surplus) / Deficit before ALMO/SHU payments	(13,388,600)	(13,388,600)	(13,398,593)	(9,993)
Payments to Six Town Housing / Transfers re Strategic Housing Unit excluded from above				
Six Town Housing Management Fee	13,058,600	13,058,600	13,058,600	0
Contribution to SHU Costs	320,000	320,000	320,000	0
Total	13,378,600	13,378,600	13,378,600	0
(Surplus) / Deficit after ALMO/SHU payments	(10,000)	(10,000)	(19,993)	(9,993)
Working balance brought forward	(1,000,000)	(1,000,000)	(1,000,000)	0
Working balance carried forward	(1,010,000)	(1,010,000)	(1,019,993)	(9,993)

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 Indicators Monitoring Month 9 2016/17 **Appendix C**

The table below shows the prudential indicators as derived from the Treasury Management Strategy Report for 2016/17 and the Original Budget for 2016/17 as approved at Council in February 2016. The Original Budget for 2016/17 is compared with the Forecast Outturn for 2016/17 as at 31st December 2016.

CAPITAL EXPENDITURE	**Original Budget 2016/17**	**Forecast Outturn at 31 December 2016**	**Variance**	**Notes**
	£'000	**£'000**		
Estimate of Capital Expenditure				
Non-HRA	12,616	18,075	43.27%	
HRA existing expenditure	12,576	15,979		
TOTAL	**25,192**	**34,054**		1
Estimate of Capital Financing Requirement (CFR)				
Non-HRA	113,371	119,508	5.41%	
HRA existing expenditure	40,530	40,531		
HRA reform settlement	78,253	78,253		2
	232,154	**238,291**		3

AFFORDABILITY	**Original Budget 2016/17**	**Forecast Outturn at 31 December 2016**	**Variance**	**Notes**
	£'000	**£'000**		
Estimate of incremental impact of capital investment decisions				
Increase in council tax (band D, per annum)	-£2.33	£1.53		4
Increase in housing rent per week	£0.00	£0.00		5
Ratio of Financing Costs to net revenue stream				
Non-HRA	2.99%	3.13%	4.75%	6
HRA	14.44%	14.14%	(2.06%)	6
Net External Borrowing only to support the CFR in Medium Term	**£'000**	**£'000**		
Net External borrowing over medium term	179,508	195,682		7
Total CFR over Medium Term	232,154	238,291		7
Net External Borrowing < Total CFR	TRUE	TRUE		

EXTERNAL DEBT	**Original Budget 2016/17**	**Forecast Outturn at 31 December 2016**	**Variance**	**Notes**
	£'000	**£'000**		
Authorised limit of external debt				
Borrowing	187,900	194,000		
Other long term liabilities	6,700	5,000		
HRA reform settlement	79,300	79,300		
TOTAL	273,900	278,300	1.61%	8
Operational boundary				
Borrowing	152,900	159,000		
Other long term liabilities	6,700	5,000		
HRA reform settlement	79,300	79,300		
TOTAL	238,900	243,300	1.84%	8

TREASURY MANAGEMENT	Original Budget 2016/17	Forecast Outturn at 31 December 2016	Variance	Notes
Upper limit for fixed interest rate exposure Net principal re fixed rate borrowing / investments	116%	115%	(1.32%)	9
Upper limit for variable rate exposure Net principal re variable rate borrowing / investments	-16%	-15%	(9.48%)	9
Upper limit for total principal sums invested for > 364 days	£10 m	£10 m		10
Maturity structure of fixed rate borrowing at 30 September 2016	Upper/lower limit	Actual		
Under 12 months	40% - 0%	9.54%		
12 months and within 24 months	35% - 0%	1.60%		
24 months and within 5 years	40% - 0%	7.84%		
5 years and within 10 years	50% - 0%	1.80%		
10 years and above	90% - 30%	79.22%		

Notes to the Prudential Indicators:

1. The original budget shows the approved Capital Programme expenditure of £25,192m. The forecast outturn of £34,054m is higher than budget because of slippage from 2015/16.

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 2016/17 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: **16 FEBRUARY 2017**
22 FEBRUARY 2017
22 FEBRUARY 2017

SUBJECT: **BUDGET 2017/18 to 2019/20**

REPORT FROM: **DEPUTY LEADER OF THE COUNCIL & CABINET MEMBER FOR FINANCE & HUMAN RESOURCES**

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

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SUMMARY: The report provides Members with details of the Capital Programme for 2017/18 to 2019/20 (section A) and the Revenue Budget for 2017/18 to 2019/20 (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 2017/18 to 2019/20
- Forecast outturn for 2016/17
- The budget strategy for 2017/18 to 2019/20 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 2017/2018, and cuts proposals for the period 2017/18 to 2019/20 at its meeting on 22nd February 2017.

Council is recommended to:

Section A – Capital Programme

1. Approve the Capital Programme for 2017/18 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 Draft Settlement Funding Allocation (SFA) for 2017/18 to 2019/20. In the event that the final Settlement is not confirmed by the Government in time for the Council meeting, then amendments to the budget, and calculations made in line with the Local Government Finance Act 1992, to reflect any changes to the Settlement figures will be delegated to the Chief Executive and Interim Director of Resources & Regulation in consultation with the Leader of the Council, Deputy Leader and Portfolio Holder for Finance & Human Resources and opposition Party Leaders. Any amendments will be reported to Council on 19 April 2017.
4. Note the 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 52,350 as the Council Tax base for the year 2017/18 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 2016/17;
7. Approve that the actual minimum level of balances for 2017/18 be set at £4.25m in view of the

Council's risk profile;

8. Approve, amend or reject the draft Revenue Budget for 2017/18 to 2019/20 as shown in the report;
9. Approve the programme of cuts for delivery over the 3 year period 2017/18 to 2019/20 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 / Social Care Precept for 2017/18.

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 its 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 2017. 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
23/1/2017	Deputy Leader / Finance & Housing		
Scrutiny Committee	**Cabinet**	**Committee**	**Council**
Overview & Scrutiny 16/2/2017	22/2/2017	Special JCCs	22/2/2017

SECTION A

CAPITAL PROGRAMME

1.0 BACKGROUND

1.1 This report outlines the proposed approach in respect of the Capital Programme 2017/18 to 2019/20 and sets out a strategy recommended by the Strategic Leadership Team and endorsed previously by the Cabinet.

2.0 PROGRESS AGAINST THE 2016/17 PROGRAMME

2.1 Details of spend against the 2016/17 Programme are set out in the month 9 Corporate Finance and Performance Monitoring Report presented to the Cabinet on 22th February 2017.

3.0 CAPITAL RESOURCES FOR 2017/18

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

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

3.2 Borrowing to fund the capital programme consists of Unsupported borrowing that is allowed through the workings of the Prudential Code for Capital Finance in Local Authorities. This method permits authorities to undertake borrowing as required as long as certain tests of prudence can be satisfied.

3.3 A consequence of any borrowing made is that revenue implications, such as costs to repay principal and interest, will fall wholly on the authority's revenue budget and this should be considered alongside borrow to fund decisions.

3.4 The Settlement for 2017/18 allows for capital grants only. This follows the approach adopted by the Coalition Government between 2011/12 and 2015 and continued since by the current Conservative Government to limit borrowing by Local Authorities; encouragement is in this way given to Authorities to structure local needs and circumstances to their Councils' levels of affordability for borrowing.

3.5 Furthermore, capital grants and external contributions have all suffered as a consequence of the more recent Government Spending Reviews and the level of overall investment would have to be amended accordingly.

3.6 The other main funding source is capital receipts, generated from the sale of Authority's land and property. Whilst property market conditions remain challenging for all of the interested parties, the Council anticipates generating capital receipts from a number of identified surplus sites in the future.

4.0 PROPOSED CAPITAL PROGRAMME 2017/18

4.1 In line with last year's Capital Programme, and the Council's Medium Term Financial Strategy, it is recommended that the 2017/18 – 2019/20 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.

4.2 In the event that Grant allocations change later in the year, the specification of schemes will be reviewed to ensure no under / overspend.

4.3 Invest-to-save schemes will continue to be considered in year, and in line with the Council's 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.

4.4 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.

5.0 FUNDING THE CAPITAL PROGRAMME

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

Expenditure per year	**2017/18 £**	**2018/19 £**	**2019/20 £**	**Total £**
Gross Cost	16,681,010	7,758,123	3,234,169	27,673,302
Financed by:				
Grants / External Funding	5,733,444	7,755,504	3,234,169	16,723,117
HRA Headroom reserve	9,990,500	0	0	9,990,500
Earmarked Reserves	70,600	0	0	70,600
S106 Reserves	866	2,619	0	3,485
Borrowing (Prudential)	0	0	0	0
Borrowing (Invest to Save Business Case)	885,600	0	0	885,600
Total	**16,681,010**	**7,758,123**	**3,234,169**	**27,673,302**

5.2 The table shows a limited programme for 2018/19 and 2019/20; this is due to the absence of funding information on government grants at this stage.

6.0 RISKS

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

6.1.1 **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.

6.1.2 **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.

6.1.3 **Scheme costs increase after approval of budget.**

Whilst not unusual and unlike slippage, implications are more than just timing issues, therefore cost increases cannot be mitigated without a direct 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 the schemes by the use of risk assessment approaches.

6.2 The Programme is monitored throughout the year by the Capital Programme Management Group who meets on a monthly basis and management reports are considered by the Strategic Leadership Team and Overview & Scrutiny Committee on a quarterly basis.

6.3 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 2017/18 to 2019/20 and the impact on Bury. It then goes on to provide details of the forecast revenue outturn position for 2016/17 and the draft Revenue Budget for 2017/18 to 2019/20. 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 15th December 2016, outlining figures for 2017/18, and indicative allocations for the following 2 years; with caveats. At the time of writing, final settlement figures have not been confirmed for 2017/18.

1.5 Setting the budget for 2017/18 to 2019/20 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 2017/18 to 2019/20

2.1 The Draft Local Government Finance Settlement for 2016/17 (the Settlement) was released on 15th December 2016 and is due to be confirmed in February 2017. The Settlement provides details of the authority's income from Central Government, and incorporates a number of fundamental changes.

Local Retention of Business Rates / Move to 100% Retention

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 **From April 2017, Greater Manchester Authorities will be piloting a 100% retention scheme.**

2.5 This new approach presents a number of opportunities to the Council;

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

- The Council is taking this opportunity forward positively under its Growth Strategy, and the wider Greater Manchester Growth Plan

2.6 Equally however, the approach presents risks;

- Losses on Appeals – now have to be funded 100% by the Council

- Reliefs – The Council is also now liable for 100% of the cost of charitable / empty reliefs.

- 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

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 2017/18 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 2017/18 scheme was revised and approved at Council in December 2016 to reflect increasing financial pressure on the scheme.

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 Last year, the Government 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".

2.16 In the Chancellor's 2016 Autumn Statement this was revised further, allowing Councils to raise a precept of 3% per annum for 2017/18, 3% for 2018/19, however 0% for 2019/20.

2.17 This report is written on the basis of a 2% Social Care Precept – subject to ratification by Members.

2.18 Members should note that the proposed precept has a neutral effect as it can only be used to support Adult Social Care pressures (which greatly exceed the funding raised through the precept).

2.19 Similarly, the precept represents no "new" Government funding for these pressures – it is a charge borne by local taxpayers.

Overview of Settlement

2.20 Bury's 2017/18 Draft "Settlement Funding Allocation" (SFA), and indicative allocations for future years are as follows;

	Retained Business Rates / Top Up £m	**RSG £m**	**Total £m**	**Change %**
2016/17	32.950	22.250	55.200	
2017/18	33.630	15.310	*48.940*	*-11.34%*
2018/19	34.710	10.780	*45.490*	*-7.05%*
2019/20	35.940	6.220	*42.160*	*-7.32%*

2.21 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, and this approach is being piloted by Greater Manchester from 2017/18.

2.22 This will require a "reworking" of settlement figures, however the overall resources available will be unchanged as the Government have given a commitment that the move to 100% will be "fiscally neutral". Essentially Local Authorities will receive more in business rates, offset by less (or nil) in the way of RSG and other specific grants e.g. Public Health.

2.23 Whilst reworked figures have not yet been published, it is expected the 2017/18 position for Bury will be as follows, with the Public Health Grant being "rolled in" and classed as mainstream funding, with no ringfence, offering greater flexibility in terms of its use.

	50% Retention £m	**100% Retention £m**
Retained Business Rates	23.48	47.43*
Top Up	10.15	13.45
RSG	15.31	0
	---	---
Settlement Funding Assessment	48.94	60.88
Public Health Grant	11.94	0
Total	60.88	60.88

Note: 23.48 x 49/99 = 47.43; to reflect Fire shares

2.24 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. The table below highlights funding per head, and additional resources that would be available if comparable funding levels were applied;

	2016/17 Per Head £	**2016/17 Extra £m**	**2017/18 Per Head £**	**2017/18 Extra £m**
Bury	**£294.45**		**£260.47**	
Greater Manchester Average	£390.99	**£18m**	£351.64	**£17.1m**
CIPFA "Family" Average	£326.37	**£6m**	£290.85	**£5.7m**
England Average	£342.46	**£9m**	£303.59	**£8.1m**

Rolled in Grants

2.25 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	2016/17 £'000	2017/18 £'000	Change £'000
Homelessness Prevention Grant	455	457	+2
Learning Disability / Health Reform	4,508	4,600	+92
Care Act Implementation	1,073	1,281	+208
Lead Local Flood Authorities	149	152	+3
Sustainable Drainage Systems	9	9	0
	6,194	6,499	**+305**

2.26 Other rolled in grants e.g. Early Intervention Grant have reduced in value (from £4.610m to £4.235m) in the settlement. The budget is structured on the basis that the indicative 2017/18 levels will apply – ie no protection at historic levels.

2.27 Funding for the Local Welfare Provision (£0.513m) was removed in the 2016/17 settlement

Other Specific Grants

2.28 In addition to the overall Settlement, a number of specific grants are made available. These grants effectively form part of the Council's mainstream budget, and have seen reductions in the 2017/18 Settlement; these grants have been protected at the 2016/17 level in drafting the 2017/18 budget;

Grant	2016/17 £'000	2017/18 £'000	Change £'000
Education Service Grant (LA element)	2,611	790	-1,821
Housing Benefit Admin Subsidy Grant	701	640	-61
Council Tax Support Admin Grant	275	261	-14
	3,587	**1,691**	**-1,896**

2.29 Allocations for other unprotected specific grants have not been confirmed at the time of writing. 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.

Better Care Fund

2.30 The Better Care Fund currently stands at approximately £12m (this operates as a pooled budget with Bury CCG).

2.31 Indicative figures from the Government suggest that this will be increased by £5.4 million by 2020;

- £300k in 2017/18
- A further £2.6m in 2018/19
- A further £2.5m in 2019/20

2.31 It should be noted that additional resources for the Better Care Fund have been sourced from reductions to the New Homes Bonus and do not represent "new" Government funding.

3.0 FORECAST OUTTURN 2016/17

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 2016 (i.e. month 9):

Department	Budget £'000	Forecast £'000	Variance £'000
Communities & Wellbeing	69,873	72,299	+2,426
Resources & Regulation	3,396	4,257	+861
Children, Young People & Culture	35,323	37,894	+2,571
Non Service Specific	16,943	13,916	-3,027
TOTAL	**125,535**	**128,366**	**+2,831**

3.4 The forecast shows a net overspend of **£2,831,000 (2.25%)** 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 The Strategic Leadership Team and Cabinet meet regularly and pay close attention to the overspend, and actions been taken. The situation is also closely monitored by the Overview & Scrutiny and Audit Committees.

4.0 DRAFT REVENUE BUDGET 2017/18 – 2019/20

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 budget
- The potential Council Tax position
- The draft budget for 2017/18 – 2019/20

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 2017/18 to 2019/20 Budget, based upon a 3 year assessment of income, expenditure, pressures, and Government Funding.

4.4.3 There is no information beyond 2020, however Members are warned that further budget cuts will be required to address continuing demand pressures and funding reductions.

4.4.4 The nature of repeated cuts requirements means that each year cuts to services will become more visible, and harder hitting as "efficiency savings" are exhausted.

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 three year budget for 2017/18 to 2019/20. This approach has been taken using funding data released under the Government's "4 Year Offer". Members are asked to note that the Government has heavily caveated the funding allocations going forward.

4.6.2 Budget cuts options have been drafted in a similar three year window, recognising that simple expenditure reductions are no longer available, and fundamental service redesign is required to deliver savings. This by its nature is not always achievable in a single financial year, often requiring a significant "lead in" time.

The draft Budget for the coming year has been prepared by rolling forward and re-pricing the current year's budget as follows:

- 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.

4.6.3 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.

4.6.4 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.

4.6.5 In determining the assumptions to be used to underpin the 2017/18 budget the following considerations have been taken into account; subject to approval by Council:

	Note	2017/18
Pay	1	1.0%
Pensions (increase in employers' contribution rate)	2	0.7%
Prices	3	0.0%

Waste levy	4	Actual
Transport levy	5	Actual
Rise in income from fees and charges	6	1.0%
Council Tax base (no. of Band Ds)	7	52,350
Assumed Council Tax rate rise	8	1.94%
Assumed Social Care Precept	9	2.00%

Notes:

1. **Pay** - the current budget forecast makes a 1% provision for pay inflation in 2017/18 – based upon nationally agreed payawards. The impact of the Government's intentions for a Living Wage on the Council's paybill has also been recognised.

2. **Pensions** – based on the latest 3-year actuarial review of the GM Pension Fund (part of the national Local Government Pension Scheme) the rate at which Bury Council as an employer is required to contribute (as a % of pensionable pay) is forecast to rise from 19.8% to 20.5% for the period 1 April 2017 and 31 March 2020.

3. **Prices** – 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 Government's Living Wage proposals in respect of bought in / commissioned services

4. **Waste Levy / Transport Levy**

   The GM Waste Disposal Authority (GMWDA) is seeking to mitigate the impact of a forecast large levy increase in 2017/18 by bring forward a savings programme which will see costs of disposing of the waste we generate reduced. Detailed plans are in an advanced stage, but to ensure that savings for future years are maximised an initial upfront investment of upto £77.7m may be needed in day to day (revenue) spend, as well as some longer term (capital) investment. The impact of the extra revenue spending requirement means that a headline average increase of 5.3% is being increased to an average 53.5%.

   The original intention was to eliminate that increase at district level by switching resources within the GM Combined Authority, as the intention was to incorporate the GMWDA into GMCA from April 2017. That has now been delayed by 12 months. Working closely with GMCA it is however proposed to reduce the GMCA Transport levy by an equal cash amount for each district, thus delivering on the no local impact plan. Unfortunately that means that the 53.5% waste levy increase is shown alongside a 46.8% reduction in the Transport Levy. Those resources will then be switched back from GMWDA savings to GMCA Transport levy from 2018/19 to 2020/21.

5. **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.

6. **Council Tax Base** - acting under delegated powers, the Interim Executive Director of Resources & Regulation has calculated the amount of **52,350** Band D equivalent properties as the Council Tax base for the year 2017/18 in accordance with regulations made under section 33(5) of the Local Government Finance Act 1992. This compares to 51,900 in 2016/17.

7. **Council Tax rate** – this report is drafted on the basis of an assumed 1.94% Council Tax rise, plus a further 2% in respect of the Adult Social Care precept; 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 2017/18, the Government has again indicated that any Council Tax increase "at or above 2%" would trigger a referendum.

   Similarly, Councils are allowed to raise an Adult Social Care Precept of up to 3% (previously 2%) for earmarked spending on Adult Social Care pressures.

4.6.6 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.

4.6.7 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.

4.6.8 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 level of cuts made (& delivered) - £65 million since 2010
- 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.

4.6.9 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 2017/18

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 2017/18:

	2017/18 £000
Opening Budget	**125,535**
Add: one-off cuts from previous year	290
Add: losses on grants now rolled in to settlement	305
Add: losses on protected specific grants	1,896
Inflation:	
Pay	743
Contractual Commitments (incl. Living Wage)	4,499
Energy Costs	186
Income	-157
Staffing costs:	
Increase in employers' pension contribution	520
Apprenticeship Levy / Cost of Apprentices	1,000
Increments	496
Levies:	
Combined Authority (Transport)	-6,076
Waste Disposal	7,182
Adult Social Care:	
Adult Social Care Support Grant – Spend	820
Adult Social Care Support Grant – Grant	-820
Service Pressures	1,104
Corporate / Technical Items:	
Investment Income	-1,000
Provision for Business Rate Appeals	500
Surplus on Collection Fund	-1,017
Reprofiling of Minimum Revenue Provision	172
New Homes Bonus	-133
Transition Grant	-30
Estimated Budget	**136,015**
Less:	
Settlement Funding Assessment	-48,940
Council Tax (assumed 1.94% rise + 2% SCP)	-73,740*
Estimated Resources	**-122,680**
TOTAL CUTS REQUIRED	**13,335**

**** This estimate is based upon an assumed 1.94% Council Tax increase (plus 2% Social Care Precept); it should be noted that the actual level of Council Tax is determined by Council.***

4.7.3 Applying the assumptions used for 2017/18 to 2018/19 and 2019/20 gives the following cuts requirement;

2017/18 £'000	**2018/19 £'000**	**2019/20 £'000**	**Total £'000**
13,335	9,454	9,087	**31,876**

4.7.4 Total cuts from 2010 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**

4.7.5 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.

5.1.2 The 2017/18 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 2016, the Department for Education (DfE) announced the 2017/18 Funding Settlement Analysis, which is based on the re-baselined

exercise that local authorities were required to do in analyzing their 2016/17 spending plans between the three sub-blocks.

The following table compares the three sub-blocks of the 2017/18 DSG with the re-baselined 2016/17 figures.

	Schools Block (£m)	Early Years Block (£m)	High Needs Block (£m)	TOTAL DSG (£m)
2016/17	114.074	8.608	27.227	150.533
2017/18	116.570	12.374	27.658	156.603
Variance	2.497	3.766	0.431	6.070
% change	2.2%	43.8%	1.6%	4.0%

- Schools Block – for 2017/18 the Department for Education have included the Retained Duties of the Education Services Grant (ESG) within the Schools Block, which amounts to £449,000.
  In 2018/19 and beyond, the ESG will be included in a separate sub-block within the Dedicated Schools Grant as part of the proposed schools' National Funding Formula.
  Of the total increase in the Schools sub-block is approx £2 million for the increase in pupil numbers, which will be wholly distributed to schools and academies through the Bury schools' funding formula.

- Early Years – the introduction of the Early Years National Funding Formula and the re-baselined exercise has seen an almost £2 million increase in funding, 93% of which has to be passed on to providers.
  In addition, there is an expansion of the 15 hours per week 'free entitlement' for 3 and 4 year olds up to 30 hours 'free entitlement' for working families, which is scheduled to begin in September 2017. The DfE have provided an extra £1.433 million to meet this additional cost based on the Early Years National Funding Formula values.
  As this is a part year cost, there should be a further £1 million added to the 2018/19 Dedicated Schools Grant for the extension of the 'free entitlement'.

- High Needs – the DfE have made a couple of technical changes to the amounts added and deducted to the high needs block plus the changes

following the re-baselined exercise shows a small increase to the overall total.

5.1.5 Pupil Numbers in Schools and Academies based on the October 2016 census

Pupil Numbers	14/15	15/16	16/17	17/18
Primary schools	14,929	14,568	14,595	14,828
Secondary schools	10,687	10,742	10,801	11,014
Academies	660	1,217	1,624	1,701
Totals	26,276	26,527	27,020	27,543

5.2 School Funding Formula Values

5.2.1 The Schools Forum at their meeting of 17th January 2017 agreed the funding formula factors for 2017/18, with very little change to the 2016/17 values. These funding arrangements will be endorsed by the Council at its budget setting meeting on 22nd February 2017.

5.2.2 The Department for Education have made two amendments to the data components of the schools formula –

- A new set of "income deprivation affecting children index" (IDACI) scores for children were released in 2015, resulted in issues nationally that adversely affected many schools, including several in Bury. Consequently in 2017 new weightings are being introduced which are intended to re-balance any issues encountered in 2016.

- A new national weighting for secondary "low attainment" figures is being introduced which has had an impact on schools. The new weighting is intended to address the impact of greater low attainment numbers at Year 7 due to changes in KS2 assessments on the new more challenging curriculum.

5.2.3 The Authority submitted the 2017/18 Schools Block pro-forma to the DfE by the required deadline of 20th January 2017.

5.2.4 The following table confirms the recommendations to formula unit values to be applied to Bury's schools/academies budgets for 2017/18:

Factor	Sector	2016/17	2017/18
		£	£
Basic Entitlement	Primary	3,080	3,080
	Secondary KS3	3,750	3,750
	Secondary KS4	4,500	4,500
Deprivation	Primary	65	65
Free School Meals	Secondary	5	5
Deprivation	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
Income Deprivation Affecting Children Indices (IDACI)	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	120	120
	Secondary	900	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 Department for Education have maintained the same amounts per category for 2017/18 as occurred in 2016/17, and these 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 Other Specific Grants

5.4.1 There are a number of grants provided by the Department for Education that are for specific purposes, and these include:

- **School Improvement** – the monitoring and brokering grant was announced in November 2016 and it is estimated that Bury's share in 2017/18 will be approx £147,000, rising to £¼ million in a full year.
- **SEN** - £136,000 for local authorities to make effective plans for the final year of the transition to the new SEND system.
- **SEN Strategic Planning Fund** - £83,000 to carry out a strategic review of the High Needs provision.
- **Universal Infant Free School Meals** – approx £2.2 million. This is based on a meal rate of £2.30 for the 2017/18 academic year, and the DfE will make further details available shortly.
- **Year 7 Catch-up Premium** –this will continue in 2017/18, and the DfE will make further details available shortly.
- **Primary PE and Sport** - this will continue in 2017/18. The DfE will continue to advise schools on sustainable and effective ways to use their funding, and will make further details available shortly.
- **Extended Rights for Home to School Transport** - this will continue in 2017/18, and the DfE will make further details available shortly.
- **Mental Health** – the government will announce shortly a series of steps to ensure children and young people get the support they need.

5.5 National Funding Formulae (NFF)

5.5.1 The Department for Education have recently issued the outcomes of their consultations on the various aspects of introducing a national funding formula for the following areas:

- Early Years
- Schools
- High Needs

We will host a number of seminars to explain in more detail the implications of the government's proposals well before the consultation deadline date.

5.5.2 **Early Years** – this part of the NFF will be introduced in 2017/18 and will include the increase in 'free entitlement' to 30 hours per week for working families.

5.5.3 **Schools** – the detailed aspects of the government's NFF were published prior to Christmas with a deadline date for responses to the proposals of 22nd March.

5.5.4 **High Needs** – the detailed aspects of the government's NFF were published prior to Christmas with a deadline date for responses to the proposals of 22nd March

6.0 OPTIONS FOR BALANCING THE 2017/18 TO 2019/20 BUDGET

6.1 The table at 4.7.3 highlights the need to make ongoing cuts to service budgets totalling **£31.879** million over a 3 year period in response to the Council's reduced funding position, and known pressures.

Three year approach

6.2 Given the scale of cuts already made, and further cuts required, options are now much more radical, requiring fundamental service redesign – a process which may not be possible within a single year.

6.3 The Council is therefore approaching this challenge within a 3 year timescale, recognising the longer lead-in time of some options, and accepting that temporary use of balances may be required between financial years.

6.4 A priority led model has been used again for the 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

6.5 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

6.7 Directors and Cabinet Members have also been mindful of the Council's 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

6.8 The total proposed cuts for 2017/18 to 2019/20 are summarised by Department in the table below;

Department	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Communities & Wellbeing	7.068	5.011	4.816	16.895
Children, Young People & Culture	3.200	2.269	2.181	7.650
Resources & Regulation	3.067	2.174	2.090	7.331
Total	**13.335**	**9.454**	**9.087**	**31.876**

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

6.10 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 8th December 2016 to 31st January 2017 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 special interest groups e.g. Carers Group

7.2 In total, **158** stakeholders engaged with the consultation exercise, generating **114** comments / 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 years; subject to a number of caveats.

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, and the increasing challenge of implementing "year on year" cuts.

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 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 2017/18 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 2017/18 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 2016/17 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 2017/18 to 2019/20 proposed budget makes a 1% provision per annum for a pay award. Members should note that there is a £0.8m 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 (100%) 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. The move to 100% Business Rates retention also presents opportunities to the Council if it is able to grow its Business Rates base.

- Similarly, the Council must now stand 100% 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. 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 revising the Local Council Tax Support scheme – approved by Council in December 2016.

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 Council's strong record of performance and the strength of the budget monitoring process these risks are felt to be controlled for 2017/18. 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 2017, 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 taking into account resources available, assumptions made, delivery of cuts options and the availability of reserves to mitigate "in year" pressures.

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 is 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.

8.7.8 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. These pressures are highlighted in the forecast outturn for 2016/17. It is essential that Members and management continue to address these pressures and implement the measures that have so far been identified.

8.7.9 Subject to;

- Confirmation of Settlement figures
- Unexpected demand pressures
- The achievement of budget cuts options over the three year period

And, in light of;

- The three year approach being taken to the budget
- The effectiveness of the Council's Internal Control framework
- The risk based provision made in the minimum level of General Fund balances
- The Council's overall reserves position

Then I as the section 151 Officer can state that I believe **the budget for 2017/18 to 2019/20 to be robust.**

This statement is in compliance with s25 of the Local Government Act 2003.

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

	Risk	£000
Pay inflation Cushion: This represents a sum equivalent to 1%; over and above the level provided for in the 2017/18 draft budget. It should be noted that Pay Awards represent an ongoing cost, whereas use of reserves is only a one-off measure.	L	700
Non-Pay inflation Cushion: Should inflation suddenly rise after the budget has been set, this contingency assumes a 3.0% increase in inflation on non-discretionary items and that discretionary items will be kept within budget.	M	900
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 100% 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	200
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.	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 slippage which is beyond the Council's control	H	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		**5,130**

9.5 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%	700	420
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%	200	200
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
			5,130	**4,250**

9.6 This would set the minimum balance requirement for 2017/18 at **£4.250m** and it is recommended that Members agree to retain the minimum level of balances at this level (the same as 2016/17), to reflect the risks inherent in the budget strategy, demand pressures, and the increasingly challenging budget reduction targets.

9.7 The forecast position on the General Fund balance at 1 April 2017 is shown in the following table:

	£m
General Fund Balance 31 March 2016 per Accounts	**10.063**
Less : Forecast overspend 2016/17 Less : Minimum balances to be retained in 2016/17	-2.831 -4.250
Forecast Available balances at 1 April 2017	**+2.982**

9.8 Members are reminded that whilst reserves above the minimum level can be released to support expenditure or reduce taxation they can only be used once. Reserves are most effective when used to support one-off items of expenditure; they should not be used to support on-going expenditure levels

and if they are, then Members are strongly advised to consider the implications for future years' budgets.

9.9 A review of earmarked Council reserves is to be undertaken in 2017/18 to validate the level of reserves held.

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 Members are requested to be mindful of the challenges ahead when considering the 2017/18 – 2019/20 Budget, and also to support the three year approach to the budget.

COUNCILLOR JANE LEWIS

DEPUTY LEADER OF THE COUNCIL &

CABINET MEMBER FOR FINANCE & HUMAN RESOURCES

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

Steve Kenyon, Interim Executive Director of Resources & Regulation / s151 Officer
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e-mail: S.Kenyon@bury.gov.uk

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.

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).

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.

Capital Programme 2017/18 - 2019/20 (New funding allocations)

APPENDIX 1

Project Title	3 YEAR TOTALS	2017/2018			2018/2019			2019/2020		
	Gross Cost £	Gross Cost £	External £	BC Cost £	Gross Cost £	External £	BC Cost £	Gross Cost £	External £	BC Cost £
CHILDREN AND YOUNG PEOPLE										
Basic need	5,580,671	1,637,311	1,637,311	0	3,943,361	3,943,361	0	0	0	0
Devolved Formula Non-VA schools	999,000	499,500	499,500	0	499,500	499,500	0	0	0	0
CHILDREN AND YOUNG PEOPLE	**6,579,671**	**2,136,811**	**2,136,811**	**0**	**4,442,861**	**4,442,861**	**0**	**0**	**0**	**0**
COMMNUNITIES AND WELLBEING										
Adult Personal Social Services Capital Allocation - Commu	910,000	455,000	455,000	0	455,000	455,000	0	0	0	0
Grant Funded Major Adaptations - Private Housing - Disab	3,359,507	968,169	968,169	0	968,169	968,169	0	1,423,169	1,423,169	0
COMMUNITIES AND WELLBEING	**4,269,507**	**1,423,169**	**1,423,169**	**0**	**1,423,169**	**1,423,169**	**0**	**1,423,169**	**1,423,169**	**0**
RESOURCES AND REGULATION										
LTP H/ways Capital Maintenance	4,932,000	1,652,000	1,652,000	0	1,640,000	1,640,000	0	1,640,000	1,640,000	0
HWs Maintenance - DfT Incentive Element		170,000	170,000	0	239,000	239,000	0	171,000	171,000	0
Kirklees Valley LNR - WIG	17,423	4,330	4,330	0	13,093	13,093	0	0	0	0
Cycle City Ambition Grant 2 - Radliffe	188,000	188,000	188,000	0	0	0	0	0	0	0
Capitalised Salaries	70,600	70,600	70,600	0	0	0	0	0	0	0
RESOURCES AND REGULATION	**5,208,023**	**2,084,930**	**2,084,930**	**0**	**1,892,093**	**1,892,093**	**0**	**1,811,000**	**1,811,000**	**0**
HOUSING PUBLIC SECTOR										
Housing programme Major works (HRA funded)	9,990,500	9,990,500	9,990,500	0	0	0	0	0	0	0
HOUSING PUBLIC SECTOR	**9,990,500**	**9,990,500**	**9,990,500**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
FULLY FUNDED SCHEMES TOTAL	**26,047,702**	**15,635,410**	**15,635,410**	**0**	**7,758,123**	**7,758,123**	**0**	**3,234,169**	**3,234,169**	**0**
COMMUNITIES AND WELLBEING										
Street Lighting I2S	1,045,600	1,045,600	160,000	885,600	0	0	0	0	0	0
I2S SCHEMES TOTAL	**1,045,600**	**1,045,600**	**160,000**	**885,600**	**0**	**0**	**0**	**0**	**0**	**0**
PROPOSED CAPITAL PROGRAMME TOTAL	**27,673,302**	**16,681,010**	**15,795,410**	**885,600**	**7,758,123**	**7,758,123**	**0**	**3,234,169**	**3,234,169**	**0**

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APPENDIX 4

Budget Consultation: 2017 to 2020

Embargoed until 00:01am Thursday 8th December 2016

Bury Council

Bury COUNCIL

Foreword

Thank you for taking time to read the Council's **Budget Consultation for the three year period 2017 to 2020.**

Under the Government's austerity programme, local authorities have been subject to ongoing funding reductions since 2010.

Coupled with increasing service pressures, e.g. Social Care, Bury Council has been required to make cuts totalling **£65 million** since 2010; this represents 46% of what the Council's budget was in 2010.

This trend is set to continue until at least the end of the current Parliament, with a further 24% reduction in funding proposed, whilst continuing economic and demographic pressures put ever greater strains on our shrinking resources.

We estimate that Bury Council will have to make cuts of at least **£32 million** over the next three years in order to set a legal, balanced, and sustainable budget.

To provide certainty and stability, we intend to set a **3 year budget** in February 2017, recognising that many service reform measures cannot be implemented in a single financial year, and will need time to develop and bed in.

This pack sets out:

- Key information regarding the Council's budget
- Proposals for 2017 to 2020
- The consultation process and how you can be involved
- Key timelines for developing and approving the 3 year budget.

Despite the financial challenges we face, Bury Council has a proud record of delivering quality services, with a high degree of resident satisfaction - underpinned by strong financial management.

We hope you find this document useful and look forward to you engaging with the consultation process.

Councillor Rishi Shori Leader of the Council	Councillor Jane Lewis Deputy Leader of the Council & Cabinet Member for Finance & Human Resources

Context

Local authorities have seen significant funding reductions since 2010, and Bury has been no exception. In addition, Bury has suffered from a particularly low funding base for many years.

As a borough, we have been disadvantaged by Government funding formulas for a considerable period (see page 6 for further information), and have consequently not had the level of resource enjoyed by surrounding boroughs.

Our population is changing – resident numbers are increasing, and the age profile of residents is rising. The increasing number of elderly residents, often require council social care support for long term and increasingly complex conditions.

Service pressures and costs are therefore increasing as funding reduces. The same pressure also applies to Public Services across the Borough, most notably the NHS.

In drafting these budget proposals, it is essential that the Council and all other relevant agencies work together to address our shared demand pressures within the context of reducing resources.

It is equally important that we engage with local residents, as we cannot address these challenges alone; we need the support of our communities and neighbourhoods.

Council Vision

Our vision is to ***"lead, shape and maintain a prosperous Bury that is fit for the future"*** within the financial constraints forced upon us, ensuring services are both affordable and sustainable. We will do this through changing the Council's approach to public services, with a focus on developing resilient neighbourhoods, further empowering our communities and residents to be able them to self-help where possible, and improve their quality of life.

The Council and its Partners have a shared set of aims and outcomes for the people of Bury to:

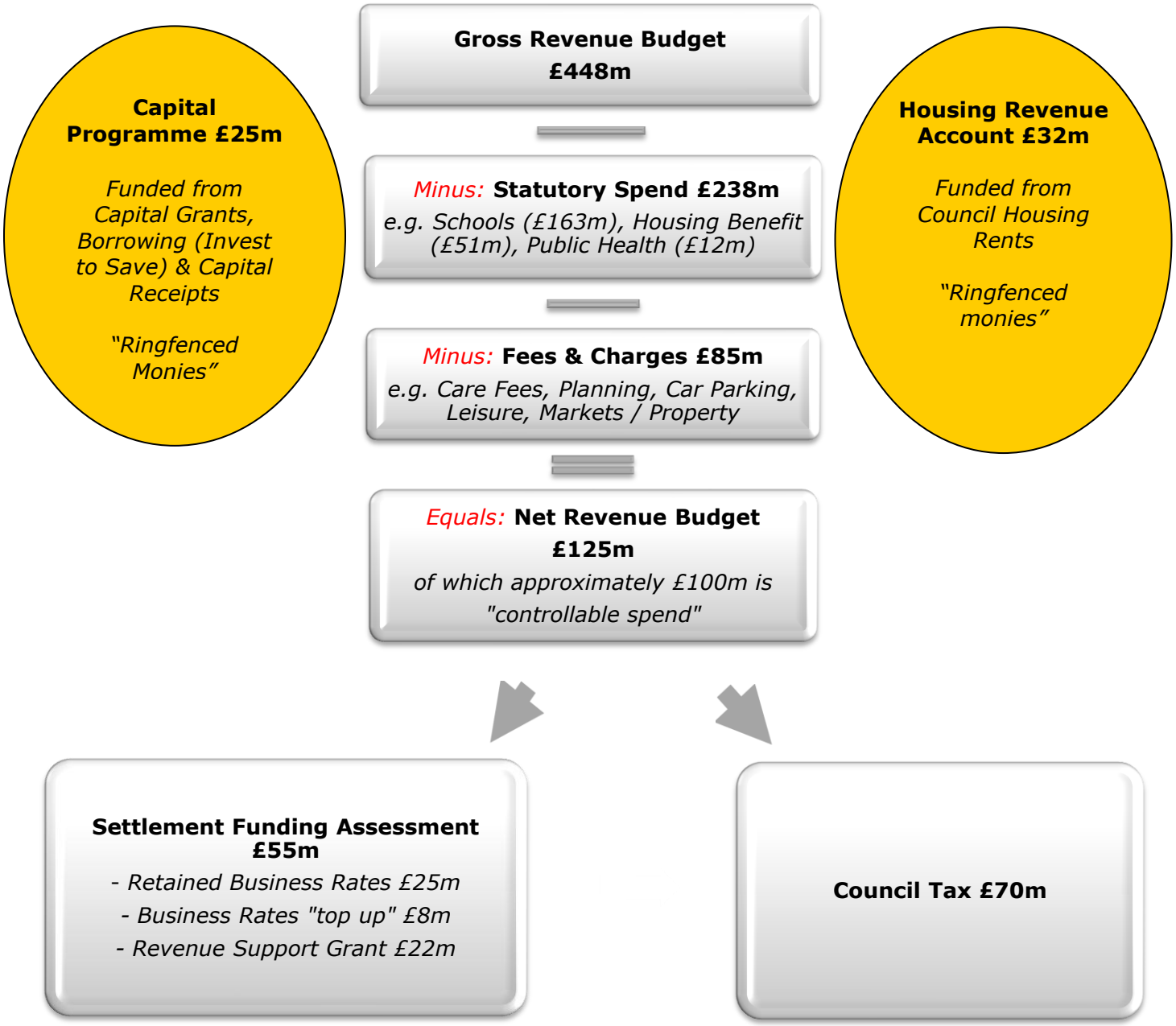
- Live healthier, more resilient lives and have greater control of their wellbeing
- Live in a clean and sustainable environment
- Achieve a high level of education and skills, improving people's life chances
- Enjoy a decent standard of living (and are afforded greater opportunities through economic growth)
- Have a safe place to live.

Having these shared outcomes will enable greater integrated multi-agency working, based in your neighbourhood. You will be able to play an active role in the delivery of services and take ownership of issues that affect you in your community.

Your Council will increasingly become an enabler of services, rather than delivering the same services in the same way we have done previously. We will look to take advantage of the best that Greater Manchester devolution has to offer as it develops, whilst ensuring the Borough retains its local character.

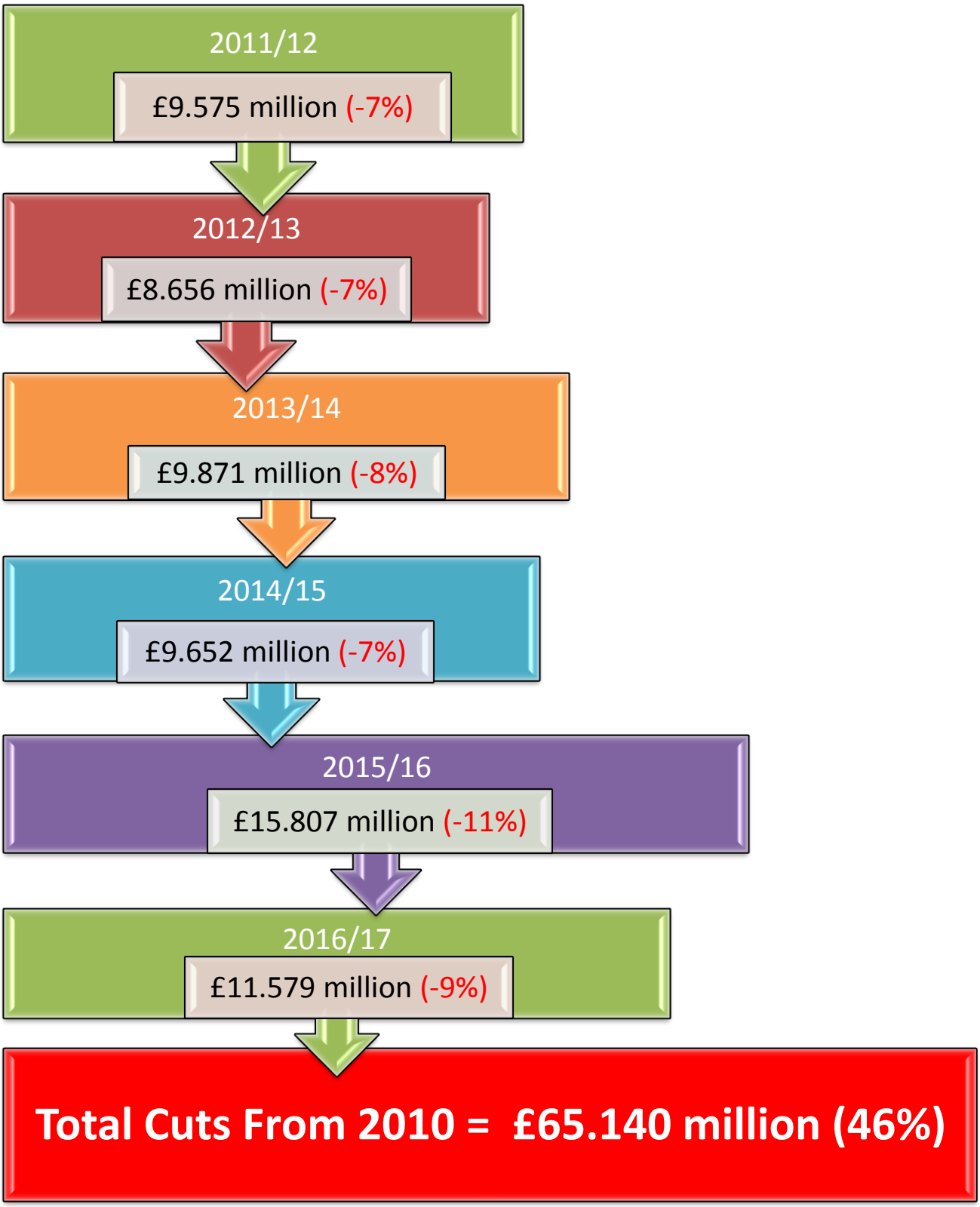
Our "Vision, Purpose & Values" document sets out this approach; copies are available from http://www.bury.gov.uk/index.aspx?articleid=11612.

Overview of Council Funding (2016/17)



Our Cuts Since 2010

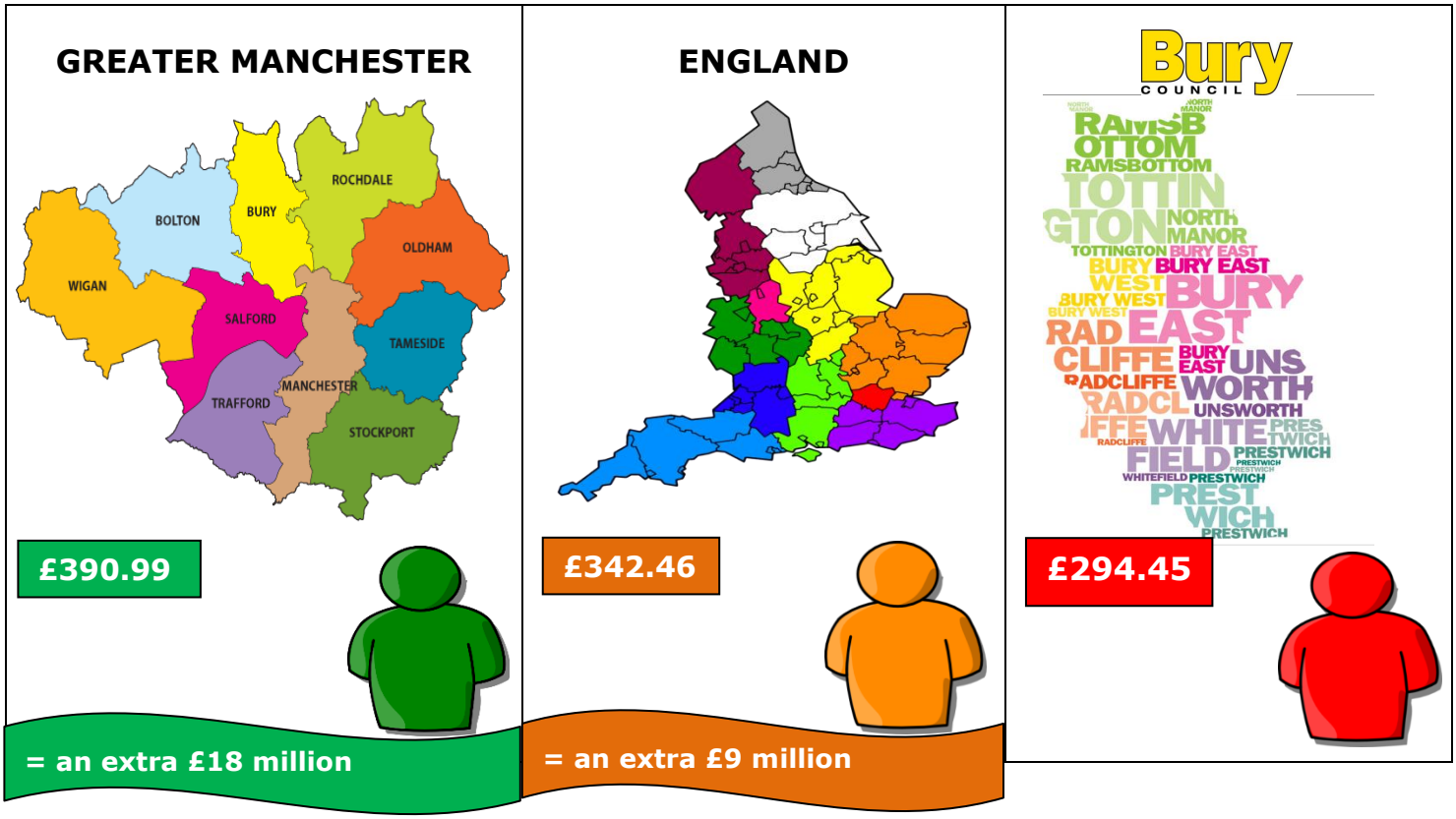
The diagram below summarises the extent of cuts the Council has been required to make:



A"Fair Deal" for Bury?

Bury has suffered from a low amount of funding (Settlement Funding Assessment) per head of population for a long period.

The illustration below outlines this disparity and indicates what level of resources would be available if we were funded at regional/ national levels:



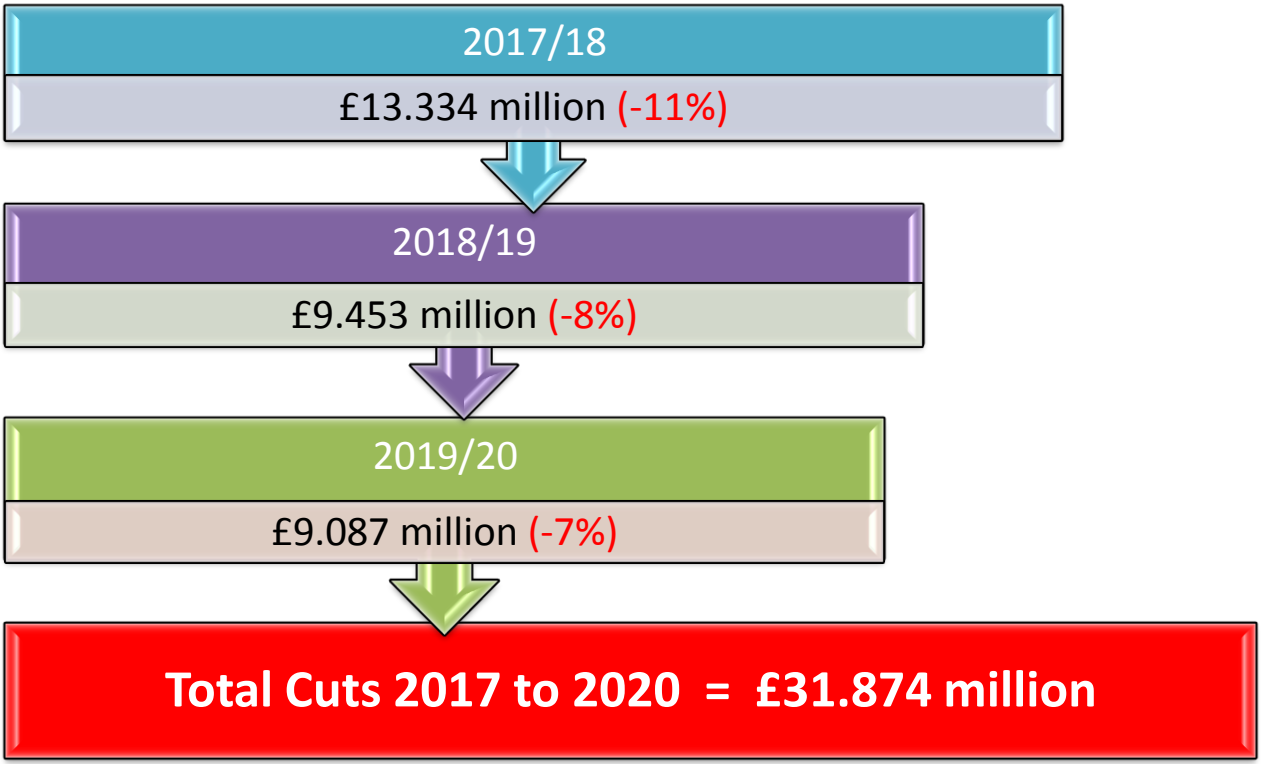
What Else Do We Need To Allow For?

In addition to an already low and significantly reducing level of funding, it is necessary to try to factor cost changes into our budget forecasts for:

- Inflation
- Energy Prices
- Increases in levies from other bodies
- Cuts to non-core funding streams
- Legislative and regulatory changes, e.g. Apprenticeship Levy, Living Wage, etc.

Statutory Services

Many of the Council's services are statutory, limiting the areas from which cuts can be made. Despite this, the Council estimates the following cuts will be required for the next three years:



Council Tax

In calculating these cuts, there is a working assumption that Council Tax will rise by 1.94% for each of the three financial years 2017/18, 2018/19 and 2019/20.

In addition, it is assumed that the Council will adopt the "Social Care Precept" as allowed by Government to at least partly fund Adult Social Care pressures.

This represents a further 2%; giving an assumed Council Tax increase of 3.94% per annum.

A 3.94% equates to an increase of £53 per year (roughly £1 per week) for an average "Band D" property.

It is important to note that Council Tax levels are set annually (February) at a full meeting of the Council.

Reserves

As is good practice, Local Authorities maintain reserves; these are either legally earmarked for specific purposes, or available to deal with unforseen circumstances. As a result of continuing low funding levels, Bury's reserves are not as high as some authorities. The budget proposals in this pack prudently assume no long term reliance on the use of Council reserves; it is recognised

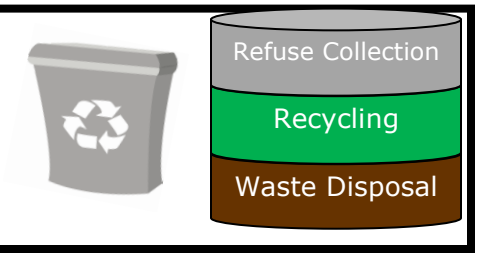
though that some temporary use may be required to address budgetary timing issues between the three years being considered.

How much do your Services Cost ?

The Council delivers over 150 different services to a population of over 186,000 (approximately 80,000 households).

Costs of key services are summarised in the graphic below:

- We currently spend **£4.0 million** collecting your bins; an average 62p for each bin collected
- We spend **£12.5 million** on Waste Disposal via the Greater Manchester Waste Disposal Authority
- The more you recycle, the more costs can be kept down



- We currently spend **£46.8 million** on Adult Social Care
- Care costs on average £286 per person needing care per week
- Increased longevity and complexity of conditions increases demand for these services

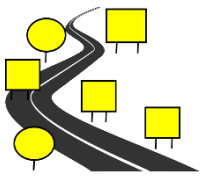
- We currently spend **£10.6 million** on Looked After Children
- Residential Care Packages cost on average £2,175 per child per week
  We are trying to further increase fostering & adoption to secure better outcomes for our young people

- We currently spend **£1.2 million** supporting sport and leisure facilities
- There has been an influx of other sport and leisure providers across Bury in recent years

- We currently spend **£2.4 million** operating 17 Libraries
- We spend a further **£460k** on Museums, Galleries & Culture
- We are currently consulting on the future of our Libraries

- We currently spend **£2.2 million** maintaining Parks & Open Spaces
- 12 of our parks have "Green Flag" status, more than any other borough across GM

- We currently spend **£6.4 million** maintaining the borough's highways, this includes road surfacing, footways, drainage & street lighting
- This equates to £9,760 per kilometre of road
- It costs an average of £52 to fill a "pot hole"
- Like most local authorities, due to ongoing cuts we have a backlog of road maintenance



Budget Proposals

Services are delivered from three Council Departments:

- Resources & Regulation
- Children, Young People & Culture
- Communities & Wellbeing

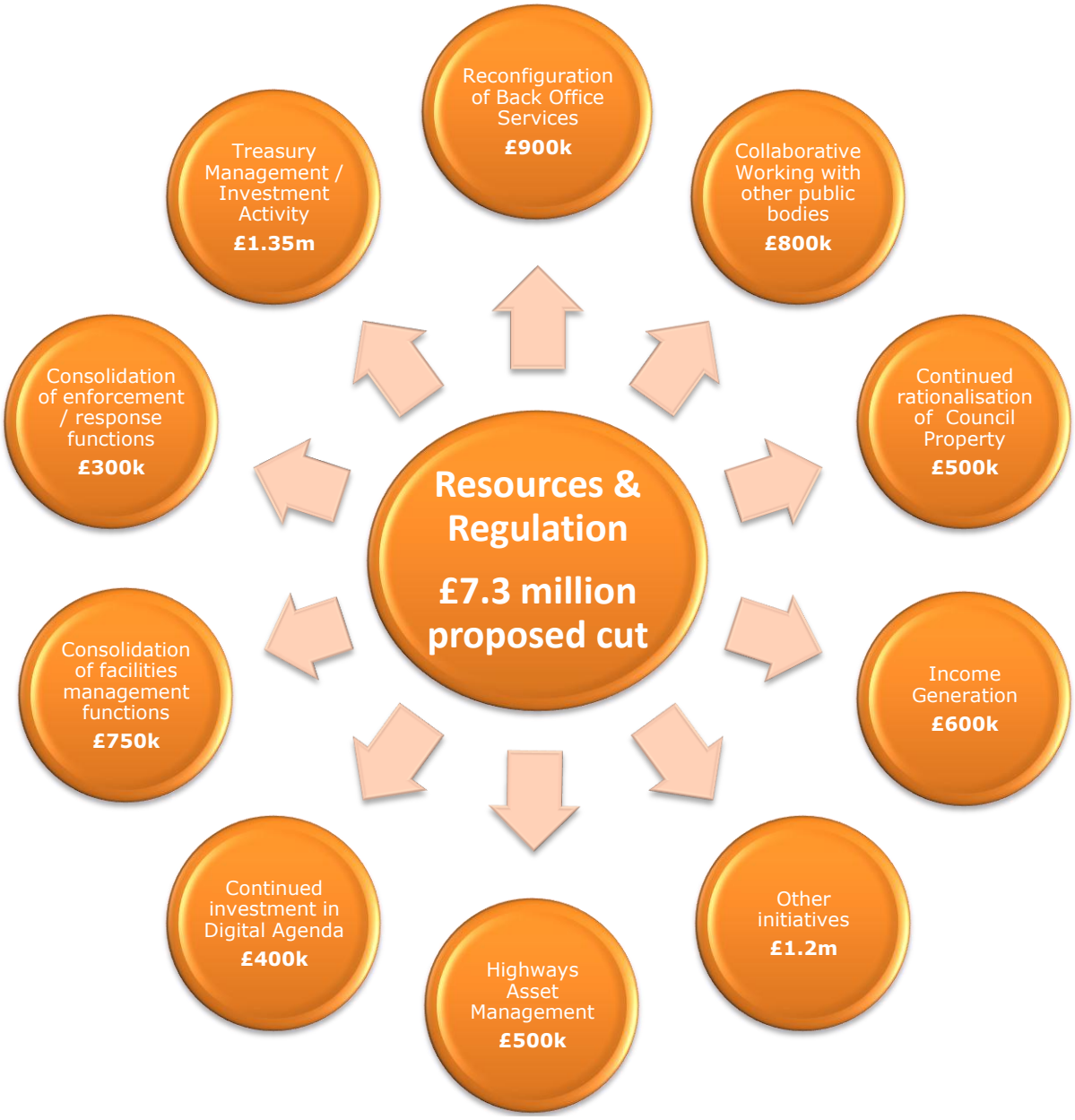
Plans for each Department to address the financial challenge to 2020 are summarised in the following pages.

Resources & Regulation

Services provided by this Department include:

- Finance
- Human Resources
- IT
- Housing Benefits / Council Tax / Business Rates
- Highways Management
- Planning
- Trading Standards
- Property Services /Markets

Existing Budget - £20 million



Reconfiguration of back office services (£900k); we operate a range of back office services including Finance, HR, IT, etc – all will be reviewed to ensure that structures deliver increasingly efficient and resilient services making best use of technology.

Collaborative Working (£800k); we will examine areas where services can be provided collaboratively – working with other local authorities and partner organisations.

Rationalisation of Council Property (£500k); the Council's footprint has reduced significantly in recent years; we will continue to rationalise our properties, making further use of technology and agile working practices.

Income Generation (£600k); we will seek to provide services to Public Sector Partners, and build on our success trading services inside & outside the Borough (e.g. Payroll & Legal Services).

Highways Asset Management (£500k); we will review our approach to managing highways, ensuring structures are efficient and resilient, and investment levels are appropriate and affordable.

Investment in the Digital Agenda (£400k); we will secure process savings through our continued investment in new technology.

Facilities Management (£750k); we will develop a more corporate approach to facilities management, ensuring assets are managed in a more coordinated manner and statutory obligations continue to be fulfilled.

Enforcement Functions (£300k); we will review enforcement activity to develop a Council-wide approach to all enforcement activity.

Treasury Management (£1.35m); we will continue to generate surpluses by actively managing our day to day cash flow, and management of our longer term debt / investment portfolio.

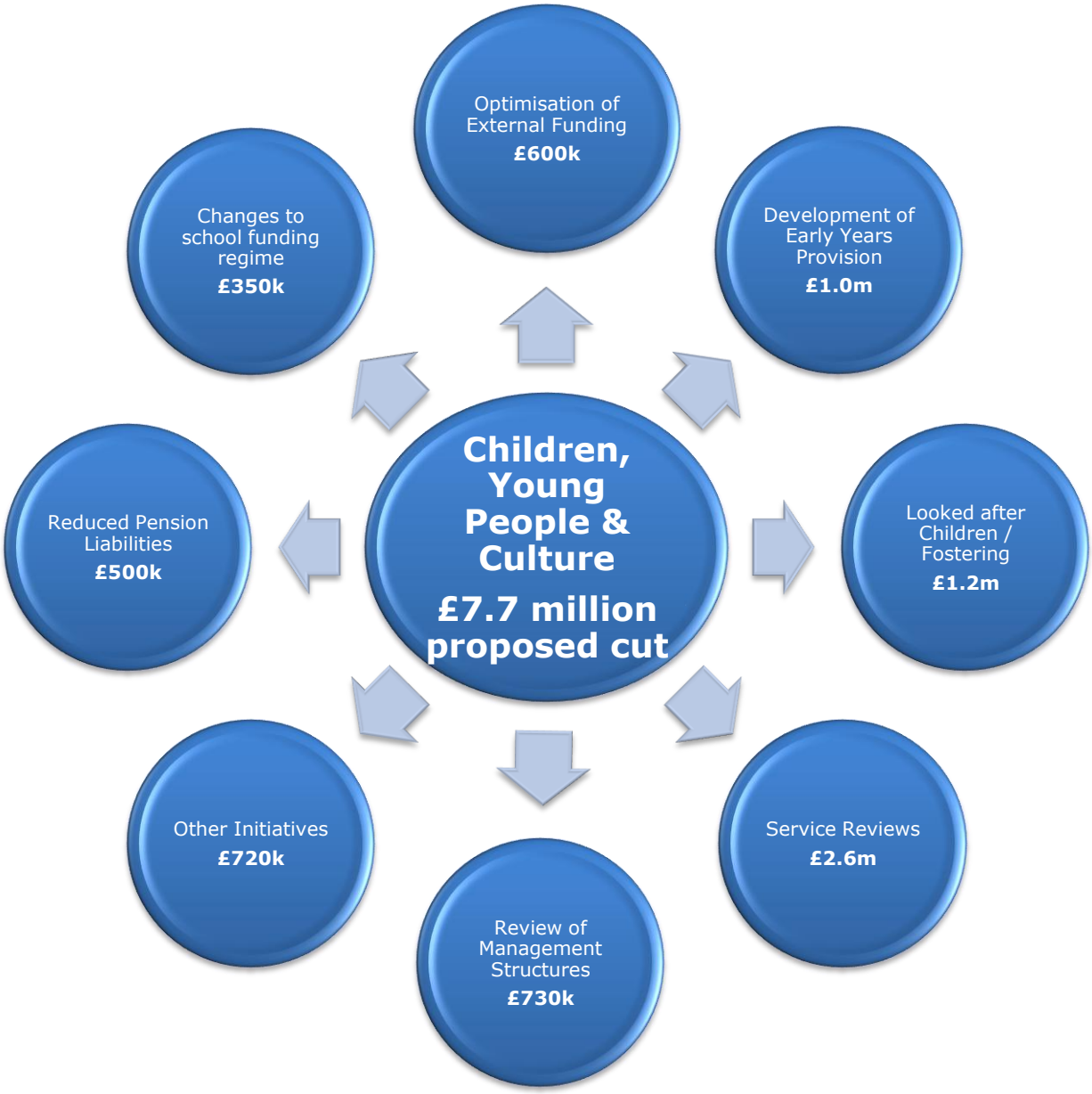
Other Initiatives (£1.2m); further cost reductions will be generated by reviewing all budget areas over the period to 2020.

Children, Young People & Culture

Services provided by this Department include:

- Schools
- Children's Social Care
- Cleaning & Caretaking
- Culture
- Libraries

Existing Budget - £35 million



Optimisation of External Funding (£600k); proposed changes to external funding arrangements will enable some services currently directly funded by the Council to continue to be operable within these funding regimes.

Development of Early Years provision (£1.0m); restructure service provision currently available to all, to a targeted provision available to those in greatest need, mainly through an outreach service.

Looked After Children/Fostering (£1.2m); reducing costs of Looked After Children through investment initiatives, such as the Adolescent Support Unit, recruiting additional foster carers / adopters to reduce reliance on independent fostering agencies.

Service Reviews (£2.6m); currently undertaking reviews of many services within the department with a view to further cost reductions and service reorganisation.

Review of Management and Administrative structures (£730k); reduced costs through further restructuring of management and administrative functions.

Other Initiatives (£720k); includes changes in working practices/arrangements and further central relocation of services from outlying buildings.

Reduced Pension Liability (£500k); declining number of former employees eligible to belong to the teachers/lecturers' national pension scheme.

Changes to school funding regime (£350k); the Government are eliminating the funding for services such as the School Improvement service, preferring schools and academies to make their own arrangements from their resources.

Communities & Wellbeing

Services provided by this Department include:

- Adult Social Care
- Waste Management
- Highways Repairs
- Sport & Leisure
- Public Health
- Environmental Health
- Strategic Housing

Existing Budget - £70 million

Health & Social Care Integration (£5.7m); closer alignment with the NHS to jointly and robustly manage demand and future service costs – see section on 'Health and Social Care'.

Review of Operational Services (£2.1m); all operational services to undergo reviews, ensuring services are increasingly sustainable, affordable, and in line with the Council's vision

Review of Leisure & Wellbeing Service (£900k); development of a Wellbeing Service, and working actively towards a significantly reduced reliance on Council support in respect of Leisure Services and Civic Halls

Review of Transport Arrangements (£300k); reviewing the Council's transport fleet requirements in light of service reviews. Ensuring the most economic approach to procurement and deployment of vehicles.

Public Protection & Enforcement (£500k); consolidation of public protection functions, e.g. Environmental Health, Public Health, and optimisation of external grants

Housing Related Services (£350k); review of the Council's housing related services to reduce costs whilst still maintaining appropriate levels of service

Review of Organisational Infrastructure (£2.3m); department-wide review of management structures in light of new service delivery models to reduce costs

Devolution Transformation Funding (£4.0m); use of funding available under GM devolution to support delivery of new working models partnering with the NHS

Other Initiatives (£850k); review of other service areas to reduce cost and maximise income generation opportunities.

Wider GM Devolution Initiatives

Devolution presents a significant opportunity for the Council, with considerable powers and responsibilities devolved to the Greater Manchester region through an elected GM mayor; these include:

- Health & Social Care
- Economic Growth
- Planning
- Transport
- Housing
- Skills / Employment
- Justice

Bury Council plays an active role in all Greater Manchester wide activity and the combined capacity of Greater Manchester will be critical to the delivery of efficiencies for Councils and partner organisations in the future.

Health & Social Care Integration

Social Care (for Adults & Children) is the largest service the Council provides, accounting for up to 60% of the overall budget.

The Council has a track record of strong service delivery; validated externally by the Care Quality Commission and successive OFSTED reports.

Strategically it is one of the most important services as the Council ensures it "supports the most vulnerable people".

Demographic trends in recent years have placed considerable strain on the Council's reducing resources as the population grows, life expectancy increases, and more residents require support for complex conditions. These trends are forecast to continue to 2020 and beyond.

The current service models for Social Care are becoming increasingly unaffordable. The Council has already responded to this pressure by investing in the following initiatives on an "Invest to Save" basis:

- Creation of an Arms Length Management Organisation (Persona Care & Support Ltd) for the delivery of £10 million of Social Care services
- Creation of Extra Care Housing Facilities (1 built, 1 in progress)
- Development of 2 x step up / step down care facilities
- Development of a Reablement Service to help people keep their independence
- Development of an Adolescent Support Unit
- Further investment in Fostering and Adoption services

Whilst making a very positive impact, it is clear these measures alone will not address future social care pressures. The Council is, therefore, working closely with the local Clinical Commissioning Group, and local Health Providers to increasingly align service delivery from April 2017 through the creation of:

- A One Commissioning Organisation (OCO); and
- A Local Care Organisation (LCO)

This will bring improved care outcomes and service efficiencies as greater synergy is achieved through joint working; this approach is outlined in the joint "Locality Plan" prepared by the Council and NHS partners.

The Council is seeking draw down NHS transformation funding to support delivery of the Locality Plan and development of more closely aligned services which will be delivered with partners at a neighbourhood level.

How can I get involved in the consultation?

- **Attend a public meeting** – dates of the Township Forum meetings are on page 18 of this document, and on the website www.bury.gov.uk/Budget201720.
- **Comment online** - www.bury.gov.uk/Budget201720
- **Call us** - 0161 253 5696
- **Email us** - Budget201720@bury.gov.uk
- **Write to us** –

  Budget201720,

  Bury Council,

  Knowsley Street,

  Bury,

  BL9 OSW.

Alternative formats of this consultation are available upon request – ring 0161 253 5696.

Consultation Process / Key Dates

8th December 2016

Start of Formal Consultation

10th January 2017

Radcliffe Township Forum (Public Meeting)
6pm - Radcliffe United Reform Church

Ramsbottom/North Manor/ Tottington Township Forum (Public Meeting)
7pm - Tottington Methodist Church

12th January 2017

Bury East Township Forum (Public Meeting)
7pm - Bury Town Hall

Prestwich Township Forum (Public Meeting)
6.30pm - Longfield Suite

17th January 2017

Whitefield and Unsworth Township Forum (Public Meeting)
1pm - Elms Community Centre

Bury West Forum (Public Meeting)
7pm - Elton Centre

31st January 2017

Close of Public Consultation

1st - 14th February 2017

Analysis of Consultation Responses

16th February 2017

Overview and Scrutiny Committee (Public Meeting)
7pm - Bury Town Hall

22nd February 2017

Cabinet (Public Meeting)
5.30pm - Bury Town Hall

Council - Budget Setting (Public Meeting)
7pm - Bury Town Hall

APPENDIX 5

A total of **158** stakeholders engaged with the consultation generating **114** comments as summarised below;

Proposed Savings	Frequency	Details
Funding for Projects	5	• Explore funding opportunities such as Crowd Funding. • Run campaigns alongside community projects. • Hold events that will raise money for council services/ initiatives.
Service Redesign and Staff Restructuring	12	• Stop wage increases beyond £25,000 • Cut 20% off the top 25 salaries and redirect funds into the community especially for children. • It is good that cuts are being spread over all the service areas. • Consider ways of delivering a similar service with reduced cost. • Align departmental teams (that are the same) to function as a corporate/central unit. • Obtain analysis of staff needed to deliver services and then restructure accordingly.
Councillors	3	• Reduce Councillor wages/expenses/allowances. • Make changes/reductions to the democratic process in terms of the numbers of Councillors
Waste Management	2	• Collect the Green Bin every 3 weeks and Black Bin every 2 weeks to reduce environmental health issues/costs. • Utilise staff - Put refuse collection on a five day week.

		• Train gardeners to help with other services in the off season when there is no gardening work to be done.
Council Tax	10	• To re-examine housing stock to ensure Council Tax is appropriate. • Reduce Council Tax in line with the increase in development of housing and businesses in Bury to reflect increase in income from this. • Raise Council Tax by 5% above inflation. That will raise an additional 3.5 million pounds, meaning libraries can be saved. • Review Council Tax in line with home extensions. • Amend the tax system (personal and corporate) to introduce much higher levels e.g. 50% or 60% for those earning upwards £100,000s.
Income Generation	14	• Consider 'green' initiatives - Invest in opportunities such as solar panels on Council Buildings which will reduce outgoing costs, increase revenue and make the Borough an attractive place to live. • This pot of money is being cut but should we not be increasing revenue to offset cuts. • Agree with Hospitals charging for car parks. • Re-vamp Bury Market to generate more interest and investment. • To continue with the planned construction of the leisure centre in Radcliffe. By opening a larger sports centre will work towards reducing pressures on NHS and develop the economy in Radcliffe. • Turn the Solicitors onto 'fighting' law to fund a

		way to upgrade Council Tax rather than hastier cuts.
Settlement Funding Assessment	10	• Campaign and consider legal challenge to ensure the Borough gets its fair share. • Lobby for appropriate funding. • If the Settlement Funding 'worked' the areas with the highest social deprivation would have changed.
Procurement / Finance Savings	2	• Review suppliers to ensure a fair value. • Increase quality of pothole filling to reduce frequency.
Better Use of Buildings / Assets	6	• Utilise Prestwich and Whitefield libraries to encourage social cohesion. • Use the money received from the sale of the old Radcliffe Civic Site to offset against the new civic and leisure site. • The high school in Radcliffe is needed. • Complete the Radcliffe Bus Station revamp as the old Bus Station is still up. • Keep libraries open to help with socialisation and literacy skills of local residents.
Miscellaneous	37	• Remove Garden Ornaments from Roundabouts. • Prestwich needs a walk-in-centre, library, green spaces and the Longfield Suite. • Excellent Presentation Format. • Utilise the voluntary sector to help with council initiatives. • Litter is an issue. • Make suitable revisions to benefits to ensure these are used appropriately. • Reflect contributions towards pensions to ensure those who contribute to the welfare system

		receive a fair sum. • Respond to the questions and enquiries quicker and more effectively. • General 'look' of the borough could be improved - litter policy, road sweeping, etc. • The council should go on strike if it persists in reducing the council budgets any further.

In addition to above themed comments we asked people to name the most important and least important services, the results can be seen below:

Most important services	7	• Adult social care • Schools/ education / Children's centers • Road improvements/ maintenance/ repairs • Policing • Health and social care • Refuse collection • Hospitals, • Emergency services • All services are important
Least Important Services	6	• Bury in Bloom • Festivals /parades • Gardening • Mayor • Traffic Wardens

Agenda Item 7

REPORT FOR DECISION

Bury COUNCIL

Agenda Item	

MEETING:	**OVERVIEW AND SCRUTINY COMMITTEE** **CABINET** **COUNCIL**
DATE:	**16 FEBRUARY 2017** **22 FEBRUARY 2017** **22 FEBRUARY 2017**
SUBJECT:	**DRAFT HOUSING REVENUE ACCOUNT 2017/18**
REPORT FROM:	**DEPUTY LEADER OF THE COUNCIL AND CABINET MEMBER FOR FINANCE AND HUMAN RESOURCES AND CABINET MEMBER FOR STRATEGIC HOUSING AND SUPPORT SERVICES**
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 2017/18 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 2017/18 for General Needs and Sheltered/Extra Care 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 2017/18, the increase/decrease 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. (b) decrease the Rents for all HRA dwellings by 1% from the first rent week in April. (c) increase Garage rents by 2.0% from the first rent week in April. (f) increase Sheltered Management and Amenity Charges by 2.0% from the first rent week in April. (g) approve that Sheltered support charges and heating charges remain unchanged from the first rent week in April. (h) reduce Furnished Tenancy charges by 5% from the first rent week in April. (i) increase tenancy charges at the Fernhill Caravan Site by 2.0% 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 2017/18.
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
16 February 2017	22 February 2017		22 February 2017

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 2016/17 is £13,058,600.

1.7 For 2017/18 the HRA is expected to have an average stock of 7,955 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 2017/18, however given the current level of activity the HRA estimates have been prepared on the basis of 70 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 Approval has been given for the HRA to acquire 13 empty properties; these properties will be acquired and refurbished by the end of 2017/18 and will be let at affordable rents i.e. 80% of the assessed Market Rent on an individual property basis. The properties are to be funded through a combination of Homes and Communities Agency (HCA) grant, S106 monies and HRA reserves.

1.9 Approval has been given for the development of a 60 apartment Extra Care Scheme in Bury. This scheme, which supports the Housing Strategy and the

social care agenda, will be funded through a combination of HCA grant and HRA borrowing. The scheme is expected to be completed during the latter half of 2018/19 and the apartments will be let at affordable rents.

1.10 These developments (and any further ones that may approved) will be incorporated into future HRA monitoring reports.

1.11 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.

1.12 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.

1.13 The introduction of the Universal Credit, which 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 59% of HRA rental income comes directly from Housing Benefit meaning that once the current welfare reforms have been fully implemented up to £17.3m 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 2017/18).

1.14 There are currently around 348 tenants claiming Universal Credit so at this stage it is still difficult to assess the impact on the HRA for the coming year.

1.15 An updated impact assessment of the welfare reforms has been undertaken through the Welfare Reform Board.

1.16 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 2017/18

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 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 Act. Supported Accommodation was exempted from this requirement for 2016/17 but will not be exempt from 2017/18 onwards.

2.5 At the Council meeting in February of last year the following proposals were agreed:

- rents were decreased by 1% for dwellings other than those in Sheltered and Extra Care Schemes
- rents were increased by 0.9% (September CPI plus 1%) for Sheltered and Extra Care dwellings

2.6 For 2017/18 it is proposed that rents are decreased by 1% for all HRA dwellings.

2.7 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 Act to reduce rents by 1% for each of the four years from 2016/17 removes this freedom and withdraws resources on an ongoing basis from the Housing Revenue Account. The total resources lost from the HRA over the four year period is estimated to be more than £5.5m.

2.8 The policy of reletting dwellings at Target rents, which came into effect in April 2016, has resulted in 543 properties being let at target rents in the first 9 months of the current financial year; the average weekly increase in rental income for these properties is £6.23 which equates to approximately £0.169m in a full year.

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

2.10 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.

2.11 The following table shows the difference between the current and proposed rents on the basis of a decrease of 1% applied to the rents of all current HRA dwellings.

All Housing Revenue Account dwellings

TYPE	NUMBER OF BEDROOMS	VALUATION AT JAN' 1999 VALUES	RENT 2016/17	PROPOSED RENT 2017/18	INCREASE / (DECREASE) OVER ACTUAL 2016/17 RENT	
		£	£	£	£	%
Bed-sit	0	23,235	61.00	60.39	(0.61)	(1.0)
Bungalow	1	30,725	69.18	68.49	(0.69)	(1.0)
Flat	1	28,319	67.99	67.31	(0.68)	(1.0)
House	1	29,467	69.54	68.84	(0.70)	(1.0)
Bungalow	2	39,487	80.74	79.93	(0.81)	(1.0)
Flat	2	29,584	74.73	73.98	(0.75)	(1.0)
House	2	34,616	77.32	76.55	(0.77)	(1.0)
Maisonette	2	32,132	76.89	76.12	(0.77)	(1.0)
Flat	3	29,751	79.90	79.10	(0.80)	(1.0)
House	3	37,543	84.88	84.03	(0.85)	(1.0)
Maisonette	3	33,845	83.37	82.53	(0.84)	(1.0)
House	4/6	38,547	92.11	91.19	(0.92)	(1.0)
		32,491	**75.39**	**74.64**	**(0.75)**	**(1.0)**

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

2.12 Affordable rents for future acquisitions and developments will be set on an individual property basis at 80% of the assessed Market Rent. Future increases or decreases will be incorporated into this report at the appropriate time.

2.13 There are currently 258 HRA owned garages (of which 161 are currently let). Garages are charged for at the rate of £6.53 per week (50 weeks). The last increase was in April 2016. It is proposed that the charge is increased by 2.0% from April, in line with September CPI plus 1%; this results in a weekly increase of £0.13 giving a rate of £6.66 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 2017/18 as shown below.

	Current Charge **£**	**Proposed Charge 2017/18** **£**
Sheltered schemes (other than Extra Care)	10.49	10.70
Extra Care schemes (Falcon House/Griffin House)	20.15	20.55

3.1.5 The proposed increase is 2.0% 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 2017/18. 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 2017/18.

3.2 Sheltered Amenity Charges

3.2.1 The Sheltered Amenity Charges were increased by 0.9% for 2016/17. It is proposed that the current charges are increased by 2.0% (September CPI figure plus 1%) from the first rent week in April 2017. 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 2017/18** **£**
Clarkshill	16.28	16.61
Elms Close	1.90	1.94
Falcon House	9.51	9.70
Griffin House	9.23	9.41
Harwood House	18.47	18.84
Moorfield	21.14	21.56
Mosses House	16.77	17.11
Stanhope Court	8.51	8.68
Taylor House	18.86	19.24
Top O'th Fields 1	18.19	18.55
Waverley Place	19.99	20.39
Wellington House	27.04	27.58

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 charges were reduced by 10% for the current year. The charges are based on expected contract prices and estimated levels of consumption. On this basis it is expected that the current level of charges are sufficient to cover the expected heating costs at the schemes and therefore it is proposed that the charges remain unchanged for 2017/18.

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

Taylor House	£14.79
Clarks Hill	£9.98
Harwood House	£13.87
Waverley Place	£14.36 (current year only; see 3.3.4)

3.3.4 A new heating and metering system has recently been installed at Waverley Place which will allow tenants to receive individual bills. It is intended to introduce this from April 2017 therefore there will no longer be a weekly heating charge at this sheltered scheme.

3.3.5 Heating Charges are not eligible for Housing Benefit however most Sheltered Tenants should be eligible for Winter Fuel Payments; for winter 2016/17 the rates for these are £200 per household for those born on or before 5 May 1953, rising to £300 per household for those aged 80 or over in the week beginning 19 September 2016.

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 reviewing the packages and tenancies available under the scheme to determine whether a wider range of options may have a positive impact on tenancy sustainment. However the intended introduction in April 2019 of a 'cap' on rents and charges at Local Housing Allowance (LHA) levels means that this review also needs to look at the types/rents of properties used for furnished tenancies. The aim of this will be to ensure that the scheme remains affordable and sustainable in the longer term; any proposed changes to the current scheme 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 pending the outcome of the wider review of the scheme and to recognise the continued efficient procurement of furniture and fittings it is proposed that the charges are reduced by 5% for 2017/18.

3.4.7 The current and proposed charges per unit per week are:-

	Present Charge £	**Proposed Charge £**
1 bed property	17.92	17.02
2 bed property	21.10	20.04
3 bed property	24.28	23.07

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 charges were increased by 0.9% (September 2015 CPI plus 1%). It is proposed that the weekly charges for 2017/18 are increased by 2.0% (September 2016 CPI plus 1%), therefore the current and proposed charges per plot per week are:

	Current Charge **£**	**Proposed Charge 2017/18** **£**
Single Plot – pitch fee	54.50	55.59
Double Plot – pitch fee	74.26	75.75
Single Plot – water charge	6.15	6.27
Double Plot – water charge	8.53	8.70

4.0 HOUSING REVENUE ACCOUNT PERFORMANCE

4.1 Voids

4.1.1 The rent lost on empty properties is projected to be 1.82% over the course of 2016/17; this will mean a reduction in rent income of approximately £66,000 as the original budget allowed for a void level of 1.6%. The level of void loss in 2016/17 was affected by the number of decant properties being provided for those tenants affected by the Boxing Day floods; a factor that hopefully will not be repeated in the coming year.

4.1.2 The level of void loss for 2017/18 has been assumed at 1.6% which could be a challenging target given 2016/17 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 2017/18 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 2018/19 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 2017/18.

4.2 Rent Arrears

4.2.1 The opening arrears and current levels for 2016/17 are shown in the following table. The figures reflect the fact that around £120,200 of Former Tenant Arrears has been written off during 2016/17. It is anticipated that a further £15,000 could be written off before the end of 2016/17. All write offs are done in accordance with the Corporate Debt Write Off Policy as approved by the then Executive.

	Opening Arrears 2016/17 £	Current Position £	Increase/ (Reduction) in arrears £
Current Arrears	654,100	675,700	21,600
Former Tenant Arrears	502,100	490,100	(12,000)
	1,156,200	1,165,800	9,600

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 £893,800 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 2016/17 allowed for additional contributions to the provision totalling £481,100; £180,400 for uncollectable debts and £300,700 for the impact of benefit reforms. Looking at the arrears position, it is now estimated that the additional provision required in 2016/17 may only be £220,000. All things being equal this suggests that the Provision will stand at £978,600 at the end of 2016/17 against arrears of £1,165,600. 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 2017/18 estimates allow for additional contributions to the provision, totalling £477,000:

- For uncollectable debts £178,800
  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 2017/18.

- For the impact of benefit reforms £298,200
  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 £318,900 of which £298,000 is debt over 1 year old. Of the debt over 1 year old around £229,000 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 £14,600 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 £276,500.

Taking into account the expected write offs, at the end of 2017/18 the provision will stand at £261,900; this amount will be reduced by the amount of any further write-offs done before the end of 2017/18. 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 2017/18; 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 2017/18 HOUSING REVENUE ACCOUNT (HRA), HRA CAPITAL RESOURCES AND THE HRA WORKING BALANCE

5.1 2017/18 Housing Revenue Account

5.1.1 The Housing Revenue Account Estimates are set out in Appendix 1.

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.

5.1.3 Other provisions within the Welfare Reform and Work Act and the Housing and Planning Act could also have a significant impact on future HRA resources and our tenants, for example:

- Sale of higher value voids
- Social rents 'capped' at Local Housing Allowance levels

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

5.1.4 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 2017/18 is to be frozen at the 2016/17 level i.e. £13,058,600.

- 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 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 this agreement.

- The Government is proposing that the funding system for Supported Housing will be changed from April 2019; at the time of writing this is currently out to consultation (closes 13th February). Changes to the current arrangements will impact on Sheltered schemes within the HRA as well as the new Extra Care development.

5.1.5 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 Six Town Housing, on behalf of the Council, commissioned a stock condition survey of 20% of the housing stock earlier this financial year; initial results from this have been received recently however analysis of the full data will take some time.

5.2.5 The initial results from this survey, along with current information, support the focussing of investment on internal improvements for the coming year along

with additional health and safety priorities such as fire alarm system replacements and structural remedial works.

5.2.6 The proposed programme is detailed in Appendix 4 and provides a level of investment that will enable standards to be maintained in the short term. Further analysis of the stock condition survey will identify the stock investment needs for the next 30 years; this will be used to inform the HRA Business Plan and shape future years programmes and resource requests.

5.2.7 Therefore it is proposed that for 2017/18 the resources made available from the HRA for capital expenditure should be:

Housing programme major works	£9.490m
Disabled Facilities Adaptations – Housing Stock	£0.500m
Total capital resources 2017/18	£9.990m

5.2.8 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 and the proposed programme.

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 (including additions)	Balance at year end £
2016/17	8,020	802,000
2017/18	7,961	796,100
2018/19	7,928	792,800

5.3.5 Appendix 5 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 Interim Executive Director of Resources and Regulation (the Council's s151 Officer) is now recommending that for 2017/18 the HRA balances should not be allowed to fall below **£1,020,000.**

Councillor Jane Lewis,
Deputy Leader of the Council and Cabinet Member for Finance and Human Resources

Councillor Sandra Walmsley,
Cabinet Member for Strategic Housing and Support Services

Contact Details:-

Stephen Kenyon, Interim Executive Director of Resources and Regulation (Tel: 0161 253 5002)
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Draft Housing Revenue Account 2017/18

APPENDIX 1

HOUSING REVENUE ACCOUNT

	2016/17		2017/18
	Original Estimate	Revised Estimate	Original Estimate
	£	£	£
INCOME			
Dwelling rents	29,586,000	29,625,400	29,342,200
Non-dwelling rents	216,300	203,000	204,800
Heating charges	66,300	66,000	48,700
Other charges for services and facilities	921,500	897,800	896,100
Contributions towards expenditure	53,900	42,700	40,600
Total Income	30,844,000	30,834,900	30,532,400
EXPENDITURE			
Repairs and Maintenance	6,865,100	6,865,100	6,865,100
General Management	7,057,700	7,055,500	7,020,500
Special Services	1,107,900	1,162,500	1,149,500
Rents, rates, taxes and other charges	103,500	94,400	98,000
Increase in provision for bad debts - uncollectable debts	180,400	181,100	178,800
Increase in provision for bad debts - impact of Benefit Reform	300,700	301,800	298,200
Cost of Capital Charge	4,468,000	4,432,600	4,432,600
Depreciation of fixed assets - council dwellings	7,771,500	7,771,500	7,926,900
Depreciation of fixed assets - other assets	42,300	42,400	42,400
Debt Management Expenses	40,600	40,600	40,600
Contribution to/(from) Business Plan Headroom Reserve	(2,183,100)	(2,173,100)	470,400
Total Expenditure	25,754,600	25,774,400	28,523,000
Net cost of services	(5,089,400)	(5,060,500)	(2,009,400)
Amortised premia / discounts	(13,300)	(13,300)	(11,400)
Interest receivable - on balances	(55,800)	(55,800)	(52,300)
Interest receivable - on loans (mortgages)	(700)	(500)	(500)
Net operating expenditure	(5,159,200)	(5,130,100)	(2,073,600)
Appropriations			
Appropriation relevant to depreciation and MRA		0	0
Revenue contributions to capital	5,149,200	5,120,100	2,063,600
(Surplus) / Deficit	**(10,000)**	**(10,000)**	**(10,000)**
Working balance brought forward	**(1,000,000)**	**(1,000,000)**	**(1,010,000)**
Working balance carried forward	**(1,010,000)**	**(1,010,000)**	**(1,020,000)**

APPENDIX 2

Sheltered Support and Amenity Charges
Current charges 2016/17 and proposed charges 2017/18

Scheme	**Total Current Charges 2016/17 £**	Proposed Management Charge 2017/18 £	Proposed Support Charge 2017/18 £	Proposed Amenity Charge 2017/18 £	**Total Proposed Charges 2017/18 £**	**Increase over current charges £**
Beech Close	**18.82**	10.70	8.33		**19.03**	**0.21**
Chelsea Avenue	**18.82**	10.70	8.33		**19.03**	**0.21**
Clarkshill	**35.10**	10.70	8.33	16.61	**35.64**	**0.54**
Elms Close	**20.72**	10.70	8.33	1.94	**20.97**	**0.25**
Falcon House	**29.66**	20.55		9.70	**30.25**	**0.59**
Griffin Close	**18.82**	10.70	8.33		**19.03**	**0.21**
Griffin House	**29.38**	20.55		9.41	**29.96**	**0.58**
Hampson Fold	**18.82**	10.70	8.33		**19.03**	**0.21**
Harwood House	**37.29**	10.70	8.33	18.84	**37.87**	**0.58**
Limegrove	**18.82**	10.70	8.33		**19.03**	**0.21**
Maple Grove	**18.82**	10.70	8.33		**19.03**	**0.21**
Moorfield	**39.96**	10.70	8.33	21.56	**40.59**	**0.63**
Mosses House	**35.59**	10.70	8.33	17.11	**36.14**	**0.55**
Stanhope Court	**27.33**	10.70	8.33	8.68	**27.71**	**0.38**
Taylor House	**37.68**	10.70	8.33	19.24	**38.27**	**0.59**
Top O'th Fields 1	**37.01**	10.70	8.33	18.55	**37.58**	**0.57**
T O'th F 2 (Welcomb Walk)	**18.82**	10.70	8.33		**19.03**	**0.21**
Waverley Place	**38.81**	10.70	8.33	20.39	**39.42**	**0.61**
Wellington House	**45.86**	10.70	8.33	27.58	**46.61**	**0.75**

APPENDIX 3

HRA VOID LEVEL OPTIONS - 2017/18

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

VOIDS %	RENT LOSS £	DIFFERENCE FROM ASSUMED VOIDS LEVEL (2%) £
0.90	268,369	-208,731
1.00	298,188	-178,913
1.10	328,006	-149,094
1.20	357,825	-119,275
1.30	387,644	-89,456
1.40	417,463	-59,638
1.50	447,281	-29,819
1.60	477,100	0
1.70	506,919	29,819
1.80	536,738	59,638
1.90	566,556	89,456
2.00	596,375	119,275
2.10	626,194	149,094
2.20	656,013	178,913
2.30	685,831	208,731

APPENDIX 4

Proposed Capital Programme 2017/18

Capital Project	Work Content	Units	Estimated budget inc
Prestwich Village	Kitchens, bathroom, heating, communal	93	
Springs Estate	Kitchens, bathrooms, boiler as required	81	
Limefield Brow	Roofing	91	
Beechcroft	Roofing	47	
Fire alarms	Replacement of fire alarms		
Polefield chimneys	Structural remedial work to roofspaces	72	
Estate infrastructure	Various estate works	0	
Top O' Th' Fields Heating	Replacement of electric heating with gas	31	
Townside Fields/Princess Parade	Kitchens, bathrooms, boiler as required	41	
Nuttall Square	Kitchens, bathrooms, boiler as required	28	
Wash Lane	Kitchens, bathrooms, boiler as required	28	
Harwood Crescent / Wesley Street	Kitchens, bathrooms, boiler as required	31	
Limefield phase 1	Kitchens, bathrooms, boiler as required	34	
Brandlesholme	Kitchens, bathrooms, boiler as required	51	
Littlewood	Kitchens, bathrooms, boiler as required	46	
Cameron/Knight St	Kitchens, bathrooms, boiler as required	47	
Woodhill	Kitchens, bathrooms, boiler as required	56	
Door replacement programme	Doors	35	
St Thomas phase 1	*Kitchens, bathrooms, boiler as required*	*25*	
Elms Estate phase 4C	*Roofing*	*15*	
Bent Hill	*Kitchens, bathrooms, boiler as required*	*6*	
Chesham Fold	*Kitchens, bathrooms, boiler as required*	*3*	
Dumers Lane	*Kitchens, bathrooms, boiler as required*	*3*	
Capital Projects subtotal:			**£7,851,990**
Miscellaneous Budgets			
Asbestos removal			£18,000
EPCs			£5,000
Structurals			£150,000
Springs miscellaneous			£10,000
R&M renewals			£700,000
R&M boilers			£295,000
Misc. capital improvements			£100,000
Mop ups / damp remedials			£50,000
Stairlift renewals			£25,500
HRA street lighting			£75,000
Advance design			£10,000
Capitalised salaries			£200,000
Disabled Facilities Adaptations			£500,000
Miscellaneous Works subtotal:			**£2,138,500**

Total Proposed Capital Programme 2017/18	**£9,990,490**

APPENDIX 5

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. £3,700 in lost rental income in a full year. A loss of 50 properties throughout the year would cost around £93k.	H 100 %	Budget 2017/18 assumes 70 sales. Current sales levels are around this level but further changes to discounts and eligibility coupled with the promotion of Right to Buy could significantly increase interest and potential sales.	95	95
Higher level of void (empty) properties - increase loss of rental income	A 0.75% increase in void loss costs the HRA £224k in a full year.	H 100 %	Budget 2017/18 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.	225	225
Numbers of properties moving to target rents not as high as anticipated	A property moving to target rent will increase the weekly rental income by an average of £6.18.	H 100 %	The numbers of properties moving to target rent will depend on which properties become void during the year. As this policy has only been in place since April 2016 the overall increase in rental income can only be an estimate.	40	40
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 2017/18 allows for contributions of £477k 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.	300	300
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

APPENDIX 5

HOUSING REVENUE ACCOUNT - RISK ASSESSMENT

Risk Event	Impact	Risk Level	Likelihood	Max. Impact £000	Min. Provision £000
Capital Investment requirements - newly arising need.	Under self financing the resources for capital investment in the housing stock come directly from the HRA.	L 60%	The capital investment requirements have been determined on the basis of the current stock condition information. However the full results of the recent Stock Condition Survey have yet to be analysed - there is a possibility that this could identify urgent investment requirements. Therefore it is felt prudent to allow for this.	400	240
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.	35	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 2017/18 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
				1225	**1020**

Agenda Item 8

REPORT FOR DECISION

Bury COUNCIL

Agenda Item	

DECISION OF:	**OVERVIEW & SCRUTINY COMMITTEE** **CABINET** **COUNCIL**
DATE:	**16 FEBRUARY 2017** **22 FEBRUARY 2017** **22 FEBRUARY 2017**
SUBJECT:	**TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2017/18**
REPORT FROM:	**DEPUTY LEADER OF THE COUNCIL & CABINET MEMBER FOR FINANCE & HUMAN RESOURCES**
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 2017/18 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: • Capital plans and prudential indicators; • the minimum revenue provision policy; • the current treasury position; • treasury limits in force which will 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 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 2017/18 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) 0.25% for the financial year 2017/18, 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 2017/18 • 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 16/2/17		Cabinet 22/2/17	Council 22/2/17

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 2016/17 the average rate of return on investments is 0.60% as at 31st December 2016.

1.6 Treasury Management Strategy for 2017/18

1.6.1 The strategy for 2017/18 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 2017/18 – 2019/20

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	2015/16 Actual £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Non-HRA	22,699	18,075	6,691	7,758	3,234
HRA	10,704	15,979	9,991	0	0
Total	**33,403**	**34,054**	**16,681**	**7,758**	**3,234**

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	2015/16 Actual £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
CFR – non HRA	118,472	119,508	116,218	112,109	108,081
CFR – HRA existing	40,531	40,531	40,531	40,531	40,531
Housing Reform Settlement	78,253	78,253	78,253	78,253	78,253
Total CFR	**237,256**	**238,291**	**235,001**	**230,892**	**226,865**

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 is recommended to approve the following MRP Statement for the year 2017/18:-

- 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.

%	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Non-HRA	3.17%	3.13%	3.03%	2.93%	2.84%
HRA	14.14%	14.14%	14.14%	14.14%	14.14%

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, which are not published over a three year period.

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

	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Council tax -Band D	-£6.70	£1.53	-£1.10	-£1.37	-£1.34

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:

	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 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 2017/18 the Council's current treasury portfolio position (at nominal value) is detailed below:

		31st March 2016			Forecast 31st March 2017		
		Principal		Avg.	Principal		Avg.
		£0	£0	Rate	£0	£0	Rate
Fixed rate funding							
	PWLB Bury	131,453			131,453		
	PWLB Airport	2,555			1,726		
	Market Bury	62,000	196,008		62,500	195,679	
Variable rate funding							
	PWLB Bury	0			0		
	Market Bury	0	0		0	0	
Temporary Loans / Bonds		3	3		3	3	
Total Debt			**196,011**	**3.95%**		**195,682**	**3.95%**
Total Investment Properties			**5,798**	**2.29%**		**8,296**	**4.23%**
Total Cash Investments			**22,600**	**0.71%**		**15,700**	**0.60%**

3.2.2 The forecast accumulated capital financing requirement at the end of 2016/17 is £238.3m. The forecast borrowing at the end of 2016/17 is £195.7m meaning that the Authority is under borrowed by £42.6m.

3.2.3 The cash investment portfolio after the Capital Programme has been spent during 2016/17 is estimated to be around £15.7m. 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 2016/17 is 0.60% against Capita Asset Services' suggested investment earnings rate for returns on investments placed, for periods up to three months in 2016/17, of 0.25%.

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	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Borrowing	238,300	235,000	230,900	226,900
Other long term liabilities	5,000	5,000	5,000	5,000
Total	**243,300**	**240,000**	**235,900**	**231,900**

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	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Borrowing	273,300	270,000	265,900	261,900
Other long term liabilities	5,000	5,000	5,000	5,000
Total	**278,300**	**275,000**	**270,900**	**266,900**

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.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

3.4.2 The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. Inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded. However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

3.4.3 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

3.4.4 PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

3.4.5 The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

3.5 Investment and borrowing rates

3.5.1 Investment returns are likely to remain low during 2017/18 and beyond;

3.5.2 Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically phenomenally low

levels after the referendum and then even further after the MPC meeting of 4th August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt;

3.5.3 There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

3.6 Borrowing strategy

3.6.1 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 still an issue that needs to be considered.

3.6.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2017/18 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.

3.6.3 Any decisions will be reported to the appropriate decision making body at the next available opportunity.

3.7 Treasury management limits on activity

3.7.1 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	2016/17 Upper	2017/18 Upper	2018/19 Upper
Limits for fixed interest rates based on net debt	115%	115%	115%
Limits for variable interest rates based on net debt	-15%	-15%	-15%
Maturity structure of new fixed rate borrowing 2016/17			
		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%

3.8 Policy on borrowing in advance of need

3.8.1 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.

3.8.2 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.

3.9 Borrowing Requirement

3.9.1 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.

	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Alternative financing	4,518	0	0	0
Replacement borrowing	17,000	3,166	16,510	10,000
Borrowing Requirement	**21,518**	**3,166**	**16,510**	**10,000**

3.9.2 Alternative financing is a combination of running down cash balances and investments and temporary borrowing.

3.9.3 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.

3.9.4 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	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Increase in Council tax	£0.00	£0.00	£0.00

3.10 Debt rescheduling

3.10.1 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).

3.10.2 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).

3.10.3 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.

3.10.4 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 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.

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 stay flat at 0.25% until quarter 2 2019 and not to rise above 0.75% by quarter 1 2020. Bank Rate forecasts for financial year ends (March) are:

- 2016/17 0.25%
- 2017/18 0.25%
- 2018/19 0.25%
- 2019/20 0.50%

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	0.25%
2017/18	0.25%
2018/19	0.25%
2019/20	0.50%
2020/21	0.75%
2021/22	1.00%
2022/23	1.50%
2023/24	1.75%

Later years 2.75%

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) in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. 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	**2015/16**	**2016/17**	**2017/18**
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 JANE LEWIS
DEPUTY LEADER & CABINET MEMBER FOR FINANCE & HUMAN RESOURCES

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

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APPENDIX 1: Interest Rate Forecasts 2017 – 2020

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012

SUMMARY OF FORECASTS

Bank Rate	NOW	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Sector's View	**0.50%**	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%
UBS	**0.50%**	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-
Capital Economics	**0.50%**	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%

5yr PWLB Rate	NOW	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Sector's View	**2.11%**	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%
UBS	**2.11%**	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	**2.11%**	1.40%	1.60%	1.70%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.70%	2.80%	2.90%

10yr PWLB Rate	NOW	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Sector's View	**3.29%**	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%
UBS	**3.29%**	0.80%	0.80%	0.80%	0.80%	-	-	-	-	-	-	-	-	-
Capital Economics	**3.29%**	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	3.10%	3.20%	3.30%

25yr PWLB Rate	NOW	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Sector's View	**4.29%**	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%
UBS	**4.29%**	0.80%	0.80%	0.80%	0.80%	-	-	-	-	-	-	-	-	-
Capital Economics	**4.29%**	2.85%	2.95%	3.05%	3.05%	3.15%	3.25%	3.25%	3.35%	3.45%	3.55%	3.65%	3.75%	3.95%

50yr PWLB Rate	NOW	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Sector's View	**4.36%**	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%
UBS	**4.36%**	0.80%	0.80%	0.80%	0.80%	-	-	-	-	-	-	-	-	-
Capital Economics	**4.36%**	2.70%	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.60%	3.70%	3.80%

Sector's Interest Rate View	NOW	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Sector's Bank Rate View	**0.50%**	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%
5yr PWLB Rate	**2.11%**	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%
10yr PWLB View	**3.29%**	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%
25yr PWLB View	**4.29%**	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%
50yr PWLB Rate	**4.36%**	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%

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		12 months
UK Government Treasury blls	UK sovereign rating		12 months
Bonds issued by multilateral development banks	AAA		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%	12 months
Term deposits with banks and building societies	Blue Orange Red Green No Colour		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		Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use
Corporate bond funds			
Gilt funds	UK sovereign rating		
Property funds			

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 Hong Kong, 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
- Hong Kong
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar
- O.K.

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.