AGENDA FOR

OVERVIEW AND SCRUTINY COMMITTEE

Contact:: Andrea Tomlinson
Direct Line: 0161 253 5133
E-mail: a.j.tomlinson@bury.gov.uk
Web Site: www.bury.gov.uk

To: All Members of Overview and Scrutiny Committee

Councillors : N Bayley, R Caserta, T Cummings, M D'Albert (Chair), M Hankey, J Harris, M James, N Jones, K Leach, R Skillen, Smith and S Smith

Dear Member/Colleague

Overview and Scrutiny Committee

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

Date:	Wednesday, 13 February 2019
Place:	Meeting Rooms A & B - Town Hall
Time:	7.00 pm
Briefing Facilities:	If Opposition Members and Co-opted Members require briefing on any particular item on the Agenda, the appropriate Director/Senior Officer originating the related report should be contacted.
Notes:	

AGENDA

1 APOLOGIES

2 DECLARATIONS OF INTEREST

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

3 PUBLIC QUESTION TIME

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

4 MINUTES OF PREVIOUS MEETING *(Pages 1 - 8)*

5 MONTH 9 CORPORATE MONITORING REPORT *(Pages 9 - 46)*

A Report from the Interim Executive Director of Resources and Regulation is attached.

6 2019/2020 BUDGET REPORT *(Pages 47 - 178)*

A report from the Interim Executive Director of Resources and Regulation is attached.

- Directorate Budget Reports
- 2019/2010 Capital Strategy & Capital Programme 2019/2020
- 2019/2020 Dedicated Schools Grant

7 2019/2020 HOUSING REVENUE ACCOUNT *(Pages 179 - 200)*

A Report from the Interim Executive Director of Resources and Regulation is attached.

8 2019/2020 TREASURY MANAGEMENT STRATEGY *(Pages 201 - 226)*

A Report from the Interim Executive Director of Resources and Regulation is attached.

9 URGENT BUSINESS

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

Minutes of:	**OVERVIEW AND SCRUTINY COMMITTEE**
Date of Meeting:	21 January 2019
Present:	Councillor M D'Albert (in the Chair) Councillors N Bayley, T Cummings, M Hankey, J Harris, M James, N Jones, R Skillen, Smith and S Smith
Also in attendance:	J Davies – Co-opted Member representing Catholic Diocese
Public Attendance:	2 members of the public were present at the meeting.
Apologies for Absence:	Councillor R Caserta and Councillor K Leach

---

OSC.1 DECLARATIONS OF INTEREST

All Councillors present declared a personal interest in any items relating to schools as they were governors at Bury Schools.

Joanne Davies declared a personal interest in any item relating to Our Lady of Lourdes R.C. Primary School and Guardian Angels R.C. Primary School as she is Head Teacher and Executive Head Teacher at the schools

OSC.2 PUBLIC QUESTION TIME

There were no questions under this item.

OSC.3 MINUTES OF LAST MEETING

It was agreed:

That, subject to the inclusion of Joanne Davies being in attendance at the last meeting of the Committee, the Minutes of the last Meeting held on 22 November 2018 be approved as a correct record.

OSC.4 PERMANENT EXCLUSIONS FROM SCHOOLS

Paul Cooke, Strategic Lead (Schools, Academies & Colleges) presented a report from the Cabinet Member for Children and Young People summarising trends in permanent and fixed term exclusions from the 2017/2018 academic year.

The information was analysed by gender, special educational need and the reason for the exclusion. Statistical data from national and neighbouring authorities was also used to provide context.

It was explained that reducing both permanent and fixed term exclusions is a key priority for Bury, in order to ensure that inclusive schools and settings provide improved experiences and outcomes for all children and young people through 'One Child, One Chance, One Partnership, One Bury'.

The report also contained an analysis of 'off-rolling' which was explained as year 10 pupils who were on roll in 2016/7 but were no longer on roll at a Bury school in year 11 in 2017/2018.

Information was provided on 'internal exclusions' in secondary schools detailing the number of lessons/sessions which pupils spend outside of the classroom, either in isolation or inclusion rooms.

High level data regarding Elective Home Education was also included and it was explained that more detailed analysis will be provided at a later date in a separate report following a review of casework and referral processes.

Paul explained that Bury had seen a rise of permanent exclusions in recent years and is currently twice the national average. 84 pupils had been permanently excluded in 2016/2017 which was up by 33 on the previous year.

Fixed term exclusions had risen both nationally and in Bury, however, Bury had seen a higher that national increase since 2015. All sectors had seen an increase, the most concerning rise was reported as being in primary. There had been 68 in 2014/15, 67 in 2015/2016, 105 in 2016 /2017 and 155 in 2017/2018.

The reasons for the high levels of exclusions had been linked to behaviour within the classroom. For the past 18 months work had been carried out with schools to explore alternative arrangements and provision. All schools were working together to bring consistent, collective practices and responsibility.

The numbers of permanent exclusions had reduced to where they were in previous years but this still needed to reduce further.

Analysis of school census returns had been undertaken and had identified 36 pupils who had been taken off roll at a Bury School in year 11. Destinations had been identified for 33 of the pupils and this information was set out within the report.

Those present were given the opportunity to ask questions and make comments and the following points were raised:

- Councillor Hankey referred to the measures that had been put in place to reduce the numbers of exclusions and asked what timescale was anticipated for figures to reduce.

Paul explained that head teachers had agreed to limit the use of the PRU and had brought in support to develop alternative scenarios. Mechanisms were now working and reductions were continuing in the current academic year. Paul explained that this would be an ongoing project across all schools.

- Councillor Hankey asked whether practices at other local authorities had been researched.

Paul explained that other local authorities' practices had been looked at but there isn't one single solution. Schools were working together to look at different approaches.

- Councillor Harris explained that as a school governor she had sat on exclusion panels and had been given a document which set out unacceptable behaviour. Councillor Harris asked whether this would be reviewed in light of the work being done.

Paul stated that measures were being put into place to deal with issues before exclusion became a possibility.

- Councillor Lucy Smith referred to the fact that schools were already finding it difficult in the current financial climate and asked how they could afford for extra measures to be undertaken.

Paul explained that resourcing is an issue for all schools and there was already a lot of money being spent across mainstream, special and independent non maintained special schools. There were around 130 young people being educated outside of the borough in independent non maintained special schools at a cost of £47,000 per pupil. The aim of the measures being put in place was to implement a preventative approach so that fewer pupils were referred to provision outside the borough.

- Councillor Bayley stated that the number of exclusions had been increasing for a few years and asked why work had only recently begun to reduce the figures.

Paul explained that a SEN inspection had identified a high number of exclusions in relation to SEN. This had then identified the issue across all pupils. As soon as the issue had been recognised work had started to rectify it and put the required measures in place.

- Councillor Cummings asked whether the figures included agreed moves between schools.

Paul stated that these would not be included as this would be one of the strategies implemented as a preventative measure to exclusion.

- Councillor James referred to elective home schooling and the reasons given by parents and carers to choose to home school. Councillor James asked whether this was sometimes used as a way of removing problem children from schools.

Paul stated that parents and carers of elected home educated children were asked for the reason behind the decision but this could be challenged more as the main answer was personal reasons which was very broad ranging. Paul reported that work was currently being undertaken to try to get home educated children into schools. This was being carried out by working closely with parents.

- Councillor Lucy Smith referred to the incidents of bullying and racial abuse that were set out within the figures and asked what work was being done with schools around this.

Paul explained that statutory agencies and voluntary organisations provide help and support when a need is identified.

It was agreed:

1. That the Overview and Scrutiny Committee receive an update on the work being carried out to reduce the number of exclusions across the borough at a future meeting of the Committee.

2. That Paul Cooke be thanked for his attendance at the meeting.

OSC.5 SEN UPDATE

Karen Whitehead, Strategic Lead – Inclusion and Partnerships presented a report from the Cabinet Member for Children and Young People.

It was explained that in June 2017 Bury had a joint local area SEND inspection conducted by Ofsted and the Care Quality Commission where a number of areas were identified as significant weaknesses. Bury Council and Bury Clinical Commissioning Group were required to submit a Written Statement of Action to Ofsted (WSoA).

The WSoA had been assessed by Her Majesty's Chief Inspector and had been declared fit for purpose. It was anticipated that Bury would be re-inspected before 30 April 2019.

The inspection had highlighted the key areas of weakness as being:

- Leadership
- Local offer
- Co-production
- Joint Commissioning
- School SEN Support

Over the 18 months since the inspection work had been undertaken to turn the identified weaknesses into strengths.

Set out within the report was an explanation of the weaknesses that had been identified and what had been done to date improve and strengthen those areas.

Those present were given the opportunity to ask questions and make comments and the following points were raised:

- Councillor Harris referred to multi agency working and asked what had been done to ensure that communication happened between the different agencies.

It was explained multi-disciplinary teams had been established bringing together partners from health, social care and education providers.

- Joanne Davies referred to the partnerships and asked how they had been working since their establishments.

It was explained that the SEMH Partnerships were working within schools to facilitate a standardised approach to early identification. Inclusion managers have been appointed for the primary schools and recruitment was planned for a Secondary Inclusion Manager in spring 2019. Work has been done with schools on the basic provision to meet pupils' SEMH needs.

Work was being carried out with Healy Young Minds to offer an enhanced service around bereavement, mindfulness and work was being done within schools if stress or concerns were identified. This could cover issues such as exam stress, self-harm and eating disorders.

- Councillor D'Albert asked how a young person can access Healthy Young Minds.

It was explained that there were link workers assigned to schools or schools could make the assessment if they were concerned.

It was agreed:

1. That the contents of the report be noted.

2. That Karen be thanked for her attendance at the meeting.

OSC.6 ADULT LEARNING SERVICE GOVERNANCE ARRANGEMENTS

Councillor Jamie Walker and Julie Kenrick, Head of Adult Learning Services presented a report from the Cabinet Member for Communities.

It was explained that Ofsted had carried out a short inspection of the service in November 2015 when the service had been judged to continue to be a good provider. However, the Ofsted report had also judged that there should be 'support and challenge by elected members including the consideration of the quality of teaching and learning'.

As part of the National Leaders in in Governance Project the service had successfully bid for and received two days of free consultancy in 2017 and an additional day in 2018.

Following discussions with the Leader of the Council and Cabinet Member for Communities it was agreed that one Elected Member from each township would be nominated to take the role of Learning Champion.

The Learning Champions were involved in one of the consultancy days and from this work an Adult Learning Advisory Group was formed. The group held its first meeting in October 2018 and had identified a lack of provision in Radcliffe when compared to Bury East.

The Terms of Reference of the Group were appended to the report.

Councillor Walker explained that the group would continue to meet four times a year and would produce an annual report.

Those present were given the opportunity to ask questions and make comments and the following points were raised:-

- Councillor Hankey asked whether the service provided non accredited training as well as accredited.

Julie explained that there was a range of learning options which were provided to meet the needs of all individuals. There were courses that were purely around learning for pleasure as well as courses in which a qualification could be achieved.

It was agreed:

1. That the Bury Adult Learning Service Advisory Group would submit its first annual report to the Overview and Scrutiny Committee at its meeting in January 2020.

2. That Councillor Jamie Walker and Julie Kenrick be thanked for their attendance at the meeting

OSC.7 THE CHANGING EDUCATION LANDSCAPE - GOVERNANCE ARRANGEMENTS AND PERFORMANCE

Paul Cooke, Strategic Lead (Schools, Academies & Colleges) presented a report from the Cabinet Member for Children and Young People providing background and context to the evolving governance of school improvement in a changing educational landscape.

Government set out its ambitions for a school led system of school improvement in the 2010 paper 'The Importance of Teaching'. The paper set out a school led system of school improvement , with governors, head teachers and teachers all having responsibility for improvement, to be accompanied by a changing role for local authorities.

A more clearly defined role for local authorities was set out giving them a remit to concentrate on delivering their core functions:

- Ensuring every child has a school place
- Ensuring the needs of vulnerable pupils are met
- Acting as champions for all parents and families

This was accompanied by an expectation that local authorities would step back from maintaining schools with a shifting responsibility for school improvement to schools.

The school led model has evolved in Bury since 2010 bringing together the key stakeholders with an interest in the education system across Bury.

In May 2018 the Secretary of State published a consultation document on the principles for a clear and simple accountability system and linked to this the DfE set out its initial plans to support underperforming schools.
The local authority continues to have a role in education but as a champion,

convener and commissioner in relation to the education system and with a diminishing role in the direct delivery of school improvement services as this aspect is taken up by Teaching Schools, Multi Academy Trusts and others.

The Government has also sought to clarify the respective roles of Regional School Commissioners, Department for Education, Ofsted, Multi Academy Trusts and Teaching Schools in terms of accountability.

A revised Bury Strategic Education Board will provide strategic direction, governance and accountability across the local system and connect to wider regional and sub regional systems and partners.

Appended to the report was a presentation setting out performance against a range of measures with comparison with local, regional and national data.

Those present were given the opportunity to ask questions and make comments and the following points were raised:

- Councillor Hankey referred to schools transferring to academies and asked at what point the Council stops having responsibility.

Paul explained that the Council's role will increasingly be a facilitation one and focus on the quality assurance of the school to school support and intervention. The Local Authority does remain statutorily responsible for overall performance. The Council will produce strategies that will set out the Council's ambitions and priorities in relation to:

- School readiness
- Special education needs
- Inclusion
- Education
- Governance

The Local authority has developed and introduced a new risk assessment process to assess each schools performance and enable appropriate support and intervention to be brokered for school leaders and governors.

- Councillor N Jones referred to school budgets and the fact that a number of schools were in deficit. Councillor Jones asked what could be done about this issue.

Paul explained that the Council was working with schools on a deficit recovery plan.

- Councillor Harris asked whether governance arrangements could be put in place that schools and the local authority can work with.

It was explained that everybody involved with provision of education across Bury were working to a common objective and appropriate governance would need to be in place. All schools and trusts were committed to this and the Local Authority were working with schools, governors, academies, regional schools' commissioner and MATs to ensure that this work was done.

It was agreed:

1. That the Overview and Scrutiny Committee receive annual report at an appropriate time

2. That Paul be thanked for his attendance at the meeting

OSC.8 CHILDREN'S SOCIAL CARE ANNUAL COMPLAINTS REPORT 2017/2018 **FOR INFORMATION

The report was included with the papers for information purposes.

Members were advised that if they required any information in relation to the report to contact the officer named.

COUNCILLOR M D'ALBERT
Chair

(Note: The meeting started at 7.00 pm and ended at 8.30 pm)

NOTICE OF KEY

Agenda

Agend

MEETING:	**OVERVIEW & SCRUTINY COMMITTEE** **CABINET**
DATE:	**13 FEBRUARY, 2019** **20 FEBRUARY, 2019**
SUBJECT:	**CORPORATE FINANCIAL MONITORING REPORT – APRIL 2018 TO DECEMBER 2018**
REPORT FROM:	**CABINET MEMBER FOR FINANCE AND HOUSING**
CONTACT OFFICER:	**GEOFF LITTLE, CHIEF EXECUTIVE** **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 2018 to December 2018 and projects the estimated outturn at the end of 2018/19. 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 2018.

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 joint SLT / Cabinet meetings. Additionally, a series

of measures was drawn up in 2016/17 to address the extremely difficult financial situation facing the Council. These have continued into 2018/19 and are detailed in par.3.6 on page 4 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 exist which will need remedial action.

Members and officers will be examining these areas in more detail at the joint CLT / Cabinet meetings.

Equality/Diversity implications: No

Considered by Monitoring Officer: The Council is required by statute to set and maintain a balanced budget. Careful management of the finances in year allows the Council to achieve this. This report provides a means for Members to carefully monitor the situation.
Budget monitoring is a requirement of the Council's Financial Regulations to which Financial Regulation B: Financial Planning 4.3. (Budget Monitoring and Control) relates.

Are there any legal implications? Yes

Wards Affected: All

Scrutiny Interest: Overview & Scrutiny Committee

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

Chief Executive/ Senior Leadership Team	Cabinet	Overview & Scrutiny Committee	Council	Ward Members	Partners
28/01/19	**20/02/19**	**13/02/19**			

1.0 INTRODUCTION

1.1 This report informs Members of the forecast outturn for 2018/19 based upon current spend for the period 1 April 2018 to 31 December 2018 in respect of the revenue

budget, capital budget, the Housing Revenue Account, treasury management and the CCG.

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 will be 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 Joint Executive Team (JET) and the Corporate Leadership Team on a monthly basis and detailed monitoring information will also be discussed at joint CLT / Cabinet 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	69,886	71,207	**+1,321**
Resources & Regulation	5,744	6,452	**+708**
Children, Young People & Culture	40,171	44,630	**+4,459**
Business, Growth & Infrastructure	(3,785)	(1,801)	**+1,984**
Operations	10,467	12,195	**+1,728**
Art Gallery & Museum	438	519	**+81**
Non Service Specific	15,095	7,422	**(7,673)**
TOTAL	**138,016**	**140,624**	**+2,608**

3.2 The projected overspend of £2.608m represents approximately 1.89% of the total net budget of £138.016m.

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

Month 9 Variance Reason	Children, Young People & Culture £'000	Communities & Wellbeing £'000	Resources & Regulation £'000	Business, Growth & Infrastructure £'000	Art Gallery & Museum £'000	Operations £'000	Non Service Specific £'000	**TOTAL** **£'000**
Demand Pressures	4,618	4,237	0	0	0	81	537	**9,473**
Delayed Achievement of Cuts Options	129	9,519	800	850	0	1,230	0	**12,528**
Non-Achievement of Cuts Options	212	0	0	298	0	0	0	**510**
Income Shortfall	0	165	621	1,705	95	528	0	**3,114**
Planned use of one-off funding	(121)	(1,502)	0	0	0	0	(1,743)	**(3,366)**
Use of Reserves	0	(4,025)	(456)	(582)	0	0	0	**(5,063)**
Continued Impact of 10 Control Measures	0	0	(50)	0	0	0	0	**(50)**
Other	(379)	(7,073)	(207)	(287)	(14)	(111)	(6,467)	**(14,538)**
TOTAL	**4,459**	**1,321**	**708**	**1,984**	**81**	**1,728**	**(7,673)**	**2,608**

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. Often an area of overspending identified at this point in the year has been resolved before the end of the year following appropriate remedial action.

3.5 However it is felt appropriate to alert Members to potential problems at this stage so that they can continue to 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 that the Council faced in 2016/17 the Senior Leadership Team at the time agreed and drew up an action plan with some immediate additional spending controls over & above usual controls. These have continued in 2018/19.

These include:

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

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

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

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

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 CLT);

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 in 2016/17 and compliance with these will continue to be monitored throughout the year. It is expected that these actions will not only help to reduce the financial burden facing the Council within the current year but also for the coming years.

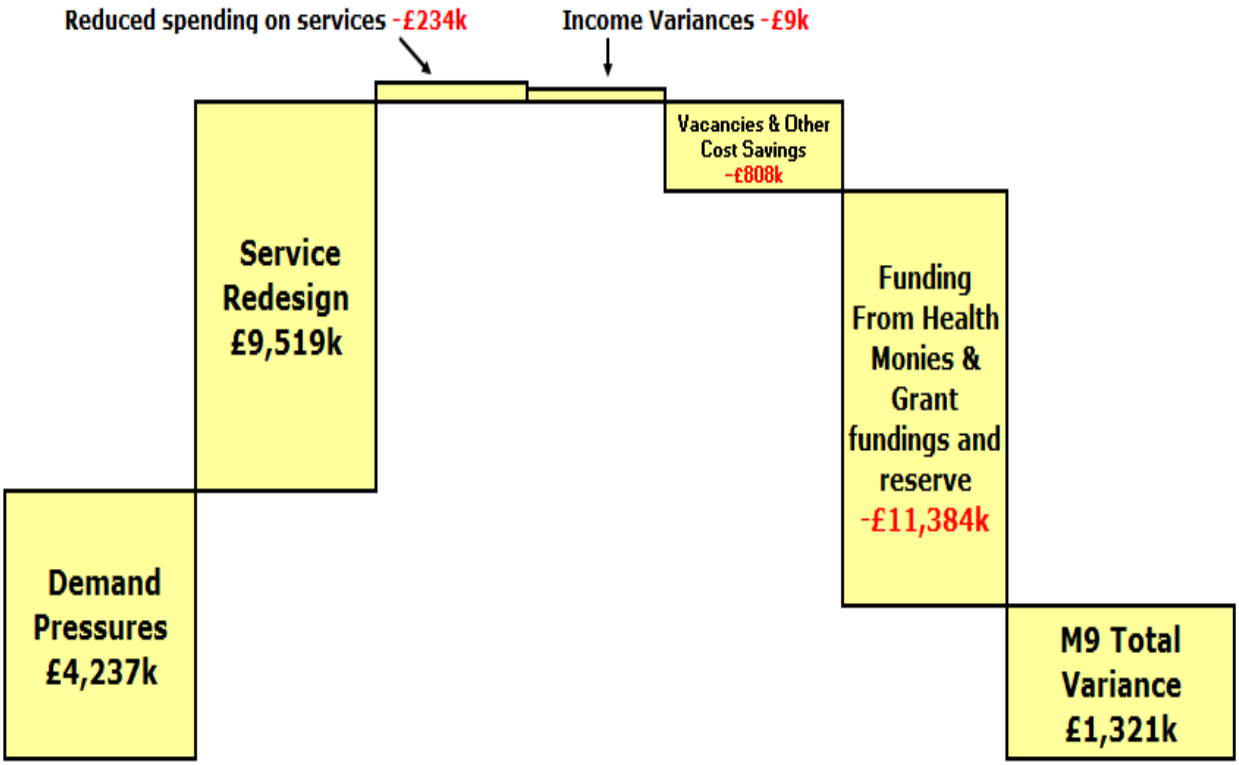
3.8 In addition to these measures, Executive Directors have been tasked with preparing "turnaround" plans as a matter of urgency for their Departments, to ensure that levels of expenditure are controlled and sustainable going forward.

4.0 SERVICE SPECIFIC FINANCIAL MONITORING

4.1 COMMUNITIES AND WELLBEING

4.1.1 The current projected overspend for Communities and Wellbeing is **£1.321m.**

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



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

Theme	Variance £'000	Reason	Action Being Taken
Funding from Health Monies, Grant Funding and Reserves		Improved Better Care Fund (IBCF) -£5,264k	The IBCF is being used (in line with funding conditions) to ensure that Adult Social Care needs are met, pressures are reduced on the NHS and that the local social care provider market is supported Care in the community.
		Adult Social Care Protection Grant - £1,327k	This is a one-off grant being used to support demand pressures within the Choices for Living Well service.
		Reserves -£3,955k	One-off support across Adult Social Care Budgets.
		System Resilience Grant -£593k	Bury CCG support towards supporting the Choices for Living Well service.
		GM Transformation - £175k	Cost of High package reviewing team.
		Corporate Reserves – £70k	Contribution to GM Health & Social Care Integration and Bury Safe Place scheme.
Sub Total	**-11,384**		
Demand Pressures		Housing Related Services - £168k	Increase in costs as a result of an increased property portfolio.
		Care in the Community budgets– £2,615k (Reason: Demographic pressure)	The pressure is being offset by IBCF support. There is an ongoing review of high cost care packages and a shift to reduce the level of residential care activity towards an asset based approach to care by placing people's skills, interests, community resources (i.e. assets) alongside their needs to improve care and value for money. In addition the ASC operational workforce will adopt a business focussed approach when designing care packages with regard to the financial impact to council budgets.
		Local Reform & Community Voices - £204k (Reason: Additional cost re	The completion of DoLS assessments is a statutory function (i.e. unavoidable). Attempts are ongoing to

Theme	Variance £'000	Reason	Action Being Taken
		Deprivation of Liberty safeguarding (DoLS) assessments)	ensure costs of assessments are reduced/kept to a minimum and requests for authorisations are starting to plateau.
		Reviewing team - £146k (Reason: Staffing Costs)	Pressure is offset by the Improved Better Care Fund. This service is meeting statutory responsibilities and is also contributing to the departmental savings programme.
		Strategic Safeguarding team - £10k (Reason: additional cost of safeguarding)	This pressure is funded from the Transformation Reserve.
		Corporate Policy - £64k (Reason: Housing survey review and S.106 works)	This pressure is funded by departmental reserves/s.106 reserves.
		ACS Senior Management -£12k (Reason: Additional staffing cost)	This pressure is funded by departmental reserves.
		ACS Senior Management -£50k (Reason: Contribution to Joint Authority re Health & Social care Integration)	This pressure is funded from Corporate Reserves.
		ACS Finance - £48k (Reason: Cost of 2 Direct Payment Auditors)	This pressure is being funded from the Improved Better Care Fund. This small team is responsible for clawing back unused personal budgets.
		ACS Finance - £5k (Reason: Additional funeral expenses)	Reduced spend on non-essential budgets.
		Advice & assessment - £11k (Reason: Additional cost re Appropriate Adult Scheme)	Reduced spend on non-essential budgets.
		Redbank Extra Care - £85k (Reason: Domiciliary Care related expenditure)	Funded from Reserves.
		Choices for Living Well Service £-175k	This pressure is expected to be funded from the GM

Theme	Variance £'000	Reason	Action Being Taken
		(Reason: cost of High Package Reviewing Team)	Transformation Fund budget.
		Choices for Living Well Service - £100k (Reason: additional cost associated with winter pressures)	This pressure is being funded from the Winter Pressures funding.
		Choices for Living Well Service - £317k (Reason: largely staffing related)	This pressure is offset by a mix of ASC Protection Grant, Improved Better Care Fund and departmental reserves. A significant amount of this pressure is related to a review of high cost care packages with the aim of reducing the pressure on the care in the community budget.
		Welly café -£1k (Reason: minor variation)	Reduce spend on non-essential budgets.
		Quality Assurance & Service Development - £77k (Reason: Additional staff cost)	To be funded from IBCF.
		Assessment & Care Management -£10k (Reason: Additional staff cost	Generate more income from Private, Voluntary & Independent (PVI) sector.
		Disability Services (Penine) - £28k (Reason: Agency Staff)	This pressure is funded by departmental reserves.
		Resilience Fund - £15k (Reason: Agency Staff Costs)	This pressure is funded by departmental reserves.
		Community Safety - £8k (Reason: small overspend on salary budget due to Maternity leave)	Reduce spend on non-essential budgets.
		Countryside -£23k (Reason: increase cost due to Burrs Activity Centre retuning to Council control)	Offset by staff vacancies.
		Sports & Leisure – £65k (Reason: Costs associated with Gym	This pressure is funded by departmental reserves.

Theme	Variance £'000	Reason	Action Being Taken
		Equipment and bridging the gap)	
Sub Total	**+4,237**		
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)		Care in the Community budgets– £2,400k (Reason: Savings Target)	The pressure is being offset by IBCF support. There is an ongoing review of high cost care packages. A shift to reduce the level of residential care activity. Move towards an asset based approach to care by placing people's skills, interests, community resources (i.e. assets) alongside their needs to improve care and value for money. Embed a business focussed approach within ASC operational workforce regarding the financial impact to council budgets when designing care packages.
		Housing related Services Inclusion - £146k (Reason: savings target)	Pressure is offset by savings within other areas of Housing Related Services.
		Strategic Lead, Strategy & Development team - £155k (Reason: Unachieved savings targets)	Pressure is offset by underspends on staff vacancies and secondments within Commissioning teams.
		Finance - £1,219k (Reason: Unallocated/ Unachieved savings targets)	This pressure is funded by departmental reserves.
		Choices for Living Well - £2,680k (Reason: Unallocated / Unachieved savings targets)	This pressure is offset by a mix of ASC Protection Grant Improved Better Care Fund and departmental Reserves. Savings will be met by ensuring Operational functions for social care are transferred to new service delivery models.
		Public Health -£1,735k (Reason: Core funding cuts and unachieved savings targets)	The pressure will be funded by the use of Public Health reserves. An action plan is underway to manage the on-going pressures.
		ACS Staffing section - £45k (Reason: Overspend relates to a partly unachieved	Options are being reviewed to expand the external recruitment agency.

Theme	Variance £'000	Reason	Action Being Taken
		savings target) Civics - £218k (Reason: Largely due to low footfall at Civic venues) Environment - £420k (Reason: Unachieved savings target) Leisure - £500k (Reason: Delay in achieving savings)	 This service is part of a wider Growth and Investment Review to address low footfall. The savings target is linked to a joint review across the Communities & Wellbeing Department and the Resources & Regulation Department. Phase 2 of the review has been completed and a report was to be presented to Joint Executive Team (JET) in January. Next steps & savings will be subject to guidance from JET however if recommendations are approved then the full saving will be achieved during 2019/20. The Leisure service is part of a wider Growth and Investment Review. An external consultant review of the existing facilities and business has been carried out. This report has been finalised and is due to be taken JET for agreement and for direction on the way forward.
Sub Total	**+9,519**		
Income Variances		Accommodation Team--£99k (Reason: Additional income from the accommodation of asylum seekers) Corporate Policy - -£40k (Reason: Additional affordable housing admin fees) Sheltered Housing Support - £20k (Reason: Reduced supporting people income) ACS Carelink - £8k (Reason: Increase income from Falcon & Griffin) Employment Support --£31k (Reason:	Additional income to be used to offset savings targets within Housing Related Services. Additional income to be used to support pressures elsewhere within CWB. Offset by underspends on supporting people contracts. Additional income to be used to support pressures elsewhere within CWB. Additional income to be used to support pressures elsewhere

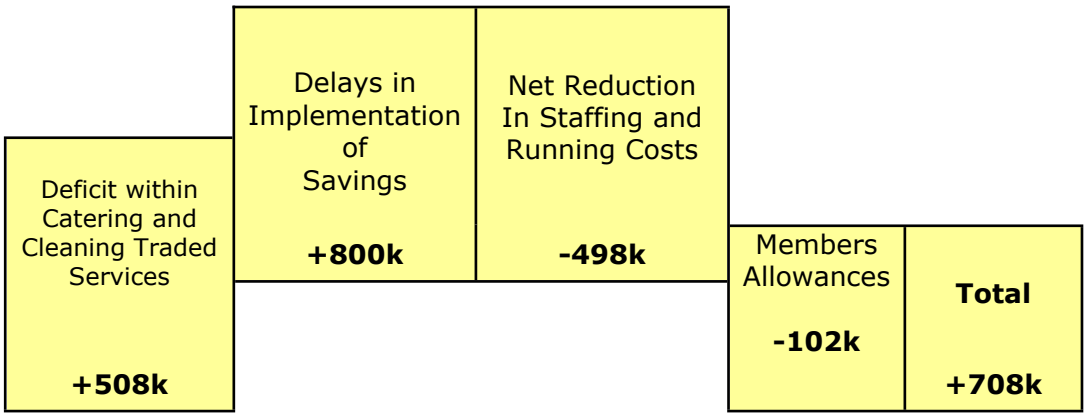
Theme	Variance £'000	Reason	Action Being Taken
		increased income from personal budgets). Quality Assurance and Service Development - -£7k (Reason: Increased income from training) LSC Main Grant - £33k (Reason: Lower rent contribution from Persona than anticipated) Central Community Education - £18k (Reason: reduction in Leisure learning income) Internal recruitment- £9k (Reason: new income generating scheme) Beverage Services - £114k (Reason: Low Footfall/demand below budgeted activity)	within CWB. Additional income from training student social workers. Renegotiation of rental income from Persona from 2019/20. A review of all service areas is being undertaken. Additional income to be used to support pressures elsewhere within CWB. This service is part of a wider Growth and Investment Review to address low footfall.
Sub Total	**-9**		
Vacancies and Other Staff Cost Savings		Commissioning & Procurement – Other Services -£340k (Reason: Staffing Vacancies) Finance -£72k (Reason: Staffing Vacancies) ASC Operations - -£336k (Reason: Staffing Vacancies) Community Safety - £40k (Reason: Staffing Vacancies) Parks & Countryside - £20k (Reason: Staffing Vacancies)	Underspend being used to offset pressures within other areas of Commissioning & Procurement. Underspend being used to offset pressures within other areas of Finance. Underspend being used to offset pressures within other areas of ASC Operations. Underspends to be used to offset pressures within Housing Related Services. Underspend to be used to offset overspend within Countryside.
Sub Total	**-808**		
Reduced spending on services		Housing Related Services - £23k (Reason: Some schemes have been	Underspend being used to offset pressures within other areas of Housing Related Services.

Theme	Variance £'000	Reason	Action Being Taken
		delayed)	
		Supporting People Grant - £157k (Reason: Some schemes have been delayed)	Underspend being used to offset pressures within other areas of Commissioning & procurement.
		Workforce Modernisation - £4k (Reason: Minor variation)	Underspend being used to offset pressures within other areas of Workforce Modernisation.
		Environment - £50k (Reason: Reduction in the cost of some contracts)	Underspend being used to offset savings target within Environmental Services.
Sub Total	**-234**		
Total	**+1,321**		

4.2 RESOURCES AND REGULATION

4.2.1 The Resources & Regulation Department is forecasting an overall overspend of **£0.708m.**

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



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

Activity	Variance £'000	Reason	Action Being Taken
Deficit within Catering and Cleaning Traded Services	**+508**	Salary costs higher than priced in the SLA for 2018/19 (£168,000). It was decided that the SLA prices quoted would not include the pay award for 2018/19. This was to retain custom from the schools. Small reduction in income due to a number of sites which transferred their business elsewhere. The 2018-19 pay award was not funded. It was decided that the SLA prices quoted for the current year would not include the pay award for 2018/19, this was to retain custom from the schools (£350,000). Inadequate budget for CYPAD / ParentPay systems (£50,000). Cost of a mutual settlement unbudgeted.	The Caretaking service is reviewing its processes and structure to ensure there is no income leakage from the relief pool. The appropriate salary levels will be incorporated for the pricing for the forthcoming year. The CYPAD Software cost will be taken from a Catering reserve as will the severance cost. The service has identified c£150k pa in cost savings which can be made, unfortunately this will not be possible until the end of 2018. This is as a result of requiring some small infrastructure investment, a redeployment exercise and some training. The service is reviewing its sales prices in the high schools, (this has not been done for some time) which is likely to deliver a higher profit share to Council. The service is reviewing its staffing structure at a site and management level to ensure that there is no waste. The service will review its primary pricing structure following the staffing review with a view to minimising the deficit as far as possible in the following financial year. The appropriate salary levels will be incorporated for the pricing for the forthcoming year.
Delayed Implementation of Savings Targets	**+800**	Within Finance and Efficiency (£200,000), Legal Services (£150,000), Customer Support & Collections (£200,000), ICT (£100,000) and Community Safety (£150,000).	Revised means of achieving the targets being considered. Awaiting outcome of reviews of services.

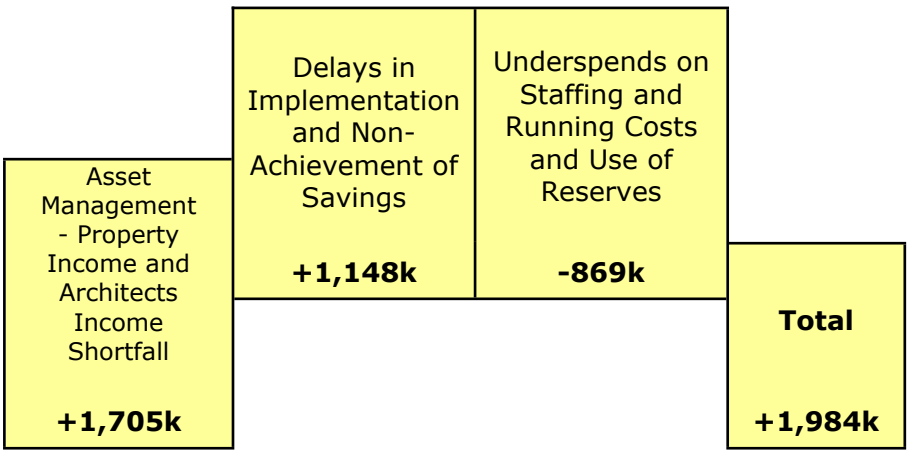
Net Increase In Staffing and Running Costs	**-498**	Contribution to bad debt provision (£209,000), Credit card charges overspend (£51,000), reduced retrospective rebate income re Procurement (£42,000), AGMA subscriptions (£38,000) and software licences (£46,000) offset by use of reserves (£166,000) and net underspends on staffing and running costs (£718,000).	Ongoing management of the budgets in order to reduce staffing and running costs spend and to use additional income from Payroll where achieved.

Members Allowances	**-102**	Payments expected to be less than budget.	To be used to assist in reducing the estimated overspend within the department in 2018/19.

4.3 BUSINESS, GROWTH AND INFRASTRUCTURE

4.3.1 The Director of Business, Growth & Infrastructure is forecasting an overall overspend of **£1.984m.**

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



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

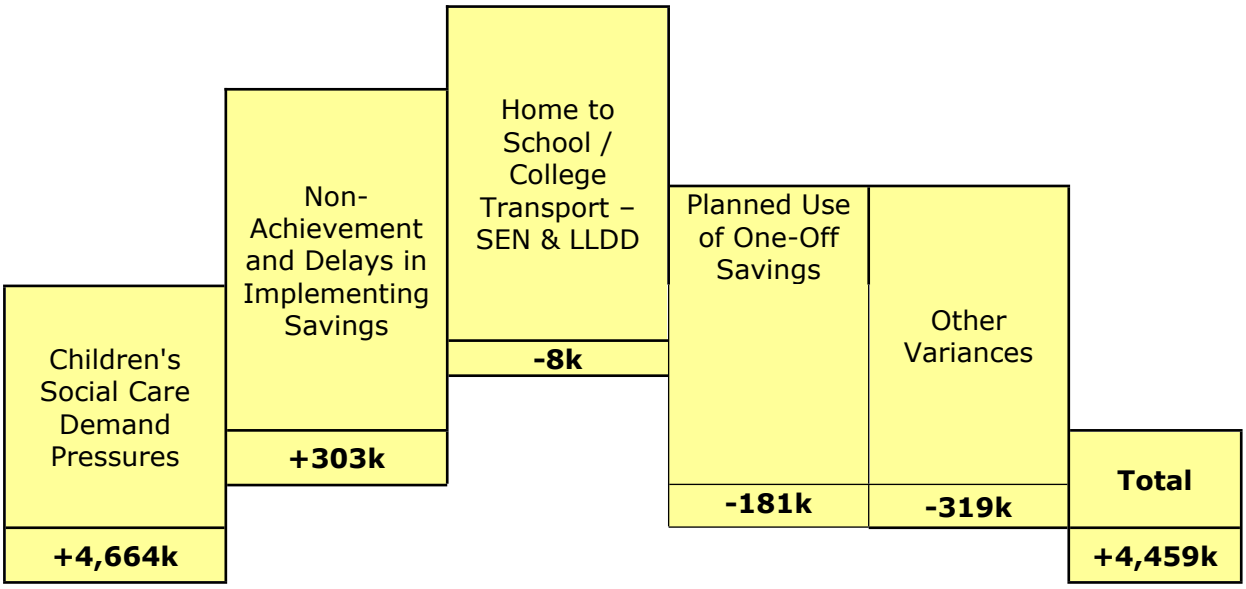
Activity	Variance £'000	Reason	Action Being Taken
Property Services Income Shortfall	**+1,355**	Underachievement in income against budget owing to property sales (£283,000). Void properties for letting and rent reductions (£247,000). Town Centre ground rent income underachieving against budget (£419,000). Shortfall in income against budget from investment properties (£276,000). Shortfall in Markets income (£130,000).	Restructuring of budgets as part of the creation of the Growth directorate. All vacant properties to be intensely marketed for letting by private sector specialist agents on an incentivised basis. Private sector specialists in the process of being procured to undertake all rent reviews and lease renewals to maximise income. Independent management of Radcliffe Market to reduce running costs. Town Centre income is largely beyond the Council's control, but the income figures associated with The Mill Gate Centre and Longfield Centre will continue to be scrutinised. Discussions are taking place over whether the Council wishes to refresh its approach to its Investment Strategy in the light of the need to invest in Growth projects and recent market trends. The ability of the investment portfolio leases to be re-geared, to produce increased rent, is being investigated with Bilfinger GVA, the Council's property investment agents. Delivery strategy to be developed and implemented to sell those properties not achieving sufficient income and to build/acquire others which will deliver rental growth in the future.
Architects Income Shortfall	**+350**	Shortfall in Architects income (£350,000) due to income shortfall (reduction in schemes) – closure of libraries, adult care transferred to Persona and general reduction in engagement of Architectural Services (in particular Property & Leisure).	Unless the mandatory use of our own internal services is encouraged it is impossible to forecast the outcome with any degree of accuracy. Therefore it is difficult to provide a positive narrative to mitigate any projected overspend and we may only consider further efficiencies and the potential reduction of our expenditure relating to resources.

Delayed Implementa-tion and Non Achievement of Savings Targets	**+1,148**	Delayed: Within Property and Asset Management (£150,000), Admin Buildings (£400,000), Urban Renewal (100,000) and Architects (£200,000). Non-Achievable: Property & Asset Management (£148,000) and Architects (£150,000). *Note: Architects savings target of £350,000 is dependent upon achievement of equivalent income (see above).*	Revised means of achieving the targets being considered. Awaiting outcome of reviews of services.
Underspends on Staffing and Running Costs plus Use of Reserves	**-869**	Use of reserves (£582,000) plus reduced AGMA costs in Economic Development (£19,000), additional planning application fee income (£115,000), reduced CRC allowances in Energy Conservation (£91,000), additional CCG rental income for Admin Buildings (£76,000) plus savings on salaries and other running costs (£14,000).	To be used to assist in reducing the estimated overspend within the directorate in 2018/19.

4.4 CHILDREN'S AND YOUNG PEOPLE

4.4.1 The overall Children's, Young People & Culture budget is currently projecting an overspend of **£4.459m.**

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



4.4.3 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: +£4,664k			
Short Breaks Service	+117	On-going Demand pressures	The projected increase is due to a number of new cases and numerous cases where there has been an increase in support on both Direct Payments and Commissioned Services.
Children's Residential	+2,220	On-going Demand pressures	This forecast overspending above the £2 million annual budget is based on the number of children in residential placements. There have been 2 additional high cost residential placements since month 5 that have increased the forecast overspending by £240,000.
Through Care Support Costs	+517	On-going Demand pressures	Forecast housing expenditure based on the number of care leavers supported through the budget.
Independent Fostering Agencies	+833	On-going Demand pressures	Forecast is based on the number of children in Independent Fostering Agency placements.
Fostering Team	+181	Ongoing Demand pressures	Forecast overspend due to current level of demand.
Adoption Service	+214	One-off	Due to sibling groups and individual children being placed for adoption with families outside of the Regional Adoption Agency creating additional costs for the Authority.

Safeguarding	+582	One-off	Childcare & Extended Services (+£38k) Delays in decision of allocating savings target, offset by delays in implementing new structure. Safeguarding Unit (+£37k) Additional costs due to maternity covered by Agency with no budget for cover. Safeguarding (+£194k) – Staff issues will mean that this service will still overspend due to agency staff covering posts. Safeguarding Team Building Costs (+£48k) Delays in vacating Higher Lane. Emergency Duty Team (+£91k) – Service is struggling to recruit staff and is now reliant on agency staff to cover the statutory hours required. External Legal Fees (+£83k) – Increased number of court cases that will attract additional court and barristers' fees. Outside CYPC control. Child Sexual Exploitation (+£48k) – Additional staffing requirements. Initial Response Team (+£43k) – Staff recruitment issues are placing a heavy reliance on agency staff, and coupled with cost pressures are contributing to the forecast.
Activity	**Variance £'000**	**Reason**	**Action Being Taken**
Non-achievement and delays in Implementing Savings: +£303k			
Statutory Regulatory	+93	Remainder of the 2016/17 and 2017/18 savings that have yet to be achieved Probable on-going shortfall.	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 wholly achieved. The shortfall in the required budget savings was treated as a generic budget saving and distributed amongst the Department. Although almost ¾ of the 2016/17 savings target has been met it has not been fully feasible to identify alternative provision for the remainder mainly due to the demand pressures as shown above that CYP&C is currently encountering. As previously reported these unallocated savings amounted to £266,000 and gradually they have been reduced by £209,000.

Unoccupied Buildings	+50	Ongoing	Delays in disposing of unoccupied buildings resulting in in-year costs for premises security, alarm lines, insurance and maintenance. Needs corporate approach to managing empty buildings, disposals, interim costs and use of capital receipts
Residual Pensions	+69	Probable One-off	The 2019/20 cut brought forward into 2018/19 not achieved due to variance in expected numbers. Savings target not changed for 2019/20 full recovery.
Libraries	+91	Savings shortfall (probable one-off)	Business rates and costs relating to library buildings that are due to close are contributing to the forecast overspending. In addition there are £20,700 of budget savings still to be allocated and an AGMA payment due that is not supported by a budget.
Activity	**Variance £'000**	**Reason**	**Action Being Taken**
Home to School / College Transport - SEND	**-8**	One-off	The Dedicated Schools Grant (DSG) is picking up the costs of transport for SEND pupils for 0-25.
Activity	**Variance £'000**	**Reason**	**Action Being Taken**
Use of one-off grant & Salary Savings	**-181**	One-off	Salary savings & use of one-off grant Connexions, Youth Service and Traded Services.
Activity	**Variance £'000**	**Reason**	**Action Being Taken**
Other: -£319,000			
Children's Domestic Violence	-58	One-off	A new team that is not yet fully staffed.
Reach Out ASU	-97	One-off	Vacant post and other savings identified due to changes in the planned delivery of the service.
Support at Home	-24	Ongoing	Savings achieved through Support work being done by the Reach Out Project.
CS Human Resources	-130	One-off	Salary savings due to delays in the new structure being put in place.
Performance, Planning & Commissioning	-10	One-off	Salary savings.

Activity	Variance £'000	Reason	Action Being Taken

Dedicated Schools Grant (Control Account) as at the end of the 2017/18 financial year was in deficit by £11,127,000.

The DSG Control Account is the mechanism by which local authorities receive funding from the Government for distribution through various funding formulae to Schools, High Needs and Early Years as well as the Central Spend.
This is a cumulative deficit and includes overspendings brought forward from previous financial years as the table below shows.

DSG Control Account							
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	**Totals**
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
DSG Control Account - deficit b/f	105	664	2,719	4,538	6,028	6,978	
DSG in-year summary variation	664	2,055	1,819	1,490	950	4,149	
Totals c/f	**769**	**2,719**	**4,538**	**6,028**	**6,978**	**11,127**	
School Balances	**-6,852**	**-6,662**	**-6,724**	**-6,786**	**-4,955**	**-4,817**	
Main Spending & Budget Variations							
DSB Balance b/f	105	n/a	n/a	n/a	n/a	n/a	**105**
DfE Underfunding - Post 16 Provision	n/a	822	612	673	366	449	**2,922**
SEN/Inclusion (incl in-year Top-ups)	226	518	278	-318	-423	1,213	**1,494**
Special Schools (LA & Independent)	48	328	1,362	1,528	460	990	**4,716**
Sickness Insurance Scheme write-off	n/a	n/a	n/a	n/a	n/a	884	**884**
Supply cover	147	222	n/a	n/a	n/a	n/a	**369**
Termination of Employment	138	100	170	99	29	248	**784**
Early Years	n/a	n/a	-648	-492	-182	-2	**-1,324**
Other central spend inc PPG	n/a	65	45	n/a	700	367	**1,177**
Total Variations	**664**	**2,055**	**1,819**	**1,490**	**950**	**4,149**	**11,127**

The major problem areas are nearly all within the High Needs block, which are continuing in 2018/19. Already the 2018/19 Forecast Overspending for Independent Special Schools is £400,000 above budget and is only for increased out-of-borough transport costs.

It is understood that there are around 75 additional placements for children with special educational needs that have been, or are still, in the 'pipeline' who could easily require funding of approx. £1½ million in 2018/19 and rising to over £2 million in a full year. Thankfully the actions taken by Local Authority colleagues which have focussed attention on this area following the implementation of strategic SEND review and Ofsted recommendations have seen many of these cases countered via multi-disciplinary team interventions involving intervening with schools at the earliest opportunity to ensure they are Inclusive, with relevant and targeted support measures being provided where applicable.

NB: these additional placements are not included in the above financial forecasts and therefore it could mean that the deficit on the DSG at the end of 2018/19 would be £13 million rising to £15 million by the end of 2019/20.

The following includes the cumulative figures for the major variations listed in the above table.

Activity	**Variance £'000**	**Reason**	**Action Being Taken**
Independent Special Schools	Balance +4,716 Additional spending on SEND transport +400 Forecast additional spend +1½ million (see above note)	Continuing demand pressures of SEND pupils requiring complex and high cost places that cannot be provided within maintained schools in Bury	SEN team endeavours to provide extra support to children to try and keep as many within Bury schools that meets their complex needs – see below the 'Pupils with SEN' overspending. The current budget is £5.6 million and includes the cost of home to school transport provided by the independent institutions, which is estimated to annually cost another £400,000 per year. (See above comment within Home to School Transport for SEN pupils).
Post-16 Commissioned Places	Balance +2,922	Continuing demand pressures of LLDD students requiring complex and high cost places in post-16 provision	The responsibility for provision for Learners with Learning Difficulties and Disabilities (LLDD) up to the age of 25 was transferred to local authorities some 5 years ago. Unfortunately insufficient funding monies were transferred to Bury to meet all of the on-going requirements of these vulnerable students.
SEN/Inclusion (incl in-year Top-ups)	Balance +1,494		There are a number of Education and Health Care plans that occur after the budget has been set at the start of the financial year. These require funding and in some cases "top-up" funding for those pupils with more complex needs. As shown above, the SEN team endeavour to try and keep pupils within provision within Bury schools.

Schools' Sickness Insurance Scheme	+884	Remnant amount on the Balance Sheet	The Insurance Scheme ceased to be offered as a traded service to schools at the end of the 2016/17 financial year as it was in deficit for 5 years. During the 3 month cessation period several schools submitted claims that increased the level of the deficit above the 2016/17 premiums and these were unrecoverable in 2017/18. Consequently the remnant amount was transferred off the Balance Sheet to the DSG Revenue Account at the end of the 2017/18 financial year. The recovery plan is to clear the deficit from the additional monies being provided by the National Funding Formula over the next few years – see deficit recovery plan below.
Activity	**Variance £'000**	**Reason**	**Action Being Taken**
Summary Position of the Department's overspendings – £4,459k **Dedicated Schools Grant overspending - £11,127k previous years; £400k 2018/19**			
General Fund	**+4,459**		See detailed statements in "General Fund Cost Bridges"
Dedicated Schools Grant – 2018/19 only	**+400**		See detailed statements above The current SEND review and recommended outcomes will help to address the funding position by containing expenditure within the approved annual revenue budget.
Dedicated Schools Grant – previous years' overspendings	**+11,127**		Unlike overspendings by services funded through the General Fund that are 'written-off' by the Council at the end of the financial year, overspendings by services funded through the Dedicated Schools Grant are carried forward into the next financial year. The continuing demand pressures and lack of funding for several years of pupils and students up to the age of 25 are the main reasons why the carry forward deficit of has grown and continues to increase to levels that are significantly above the levels of schools' surplus balances.

Activity	Variance £'000	Reason	Action Being Taken

DSG Control Account Deficit Recovery Plan

This level of overspending and low levels of funding are not sustainable as sometime in the future the local authority will not have sufficient monies available to finance the deficit within the Dedicated Schools Grant.

Discussions have taken place with officials from the Department for Education, who were fact-finding to help build a business case for extra funding to meet the escalating demand for High Needs for submission to HM Treasury as part of the autumn's Budget Spending Review.

A number of measures are now in place that will address demand pressures and reduce the deficit on the DSG Control Account. The financial effects of these are shown in the table below.

- Mandatory Cost Threshold – schools now have to contribute the first £6,000 of their pupil's Education and Healthcare Plan from their delegated budgets.
- Traded Service for SEN Support and Inclusion – funding of services such as CLAS from schools' delegated budgets and/or reduced levels of services.
- Transfer some SEN Support and Inclusion services out of the DSG to be funded by the local authority, which has significant financial problems and therefore could lead to the reduction in the levels of these services to schools, pupils and students.
- Implement annual efficiencies in other SEN Support and Inclusion services.
- Block Transfer of £1 million from the Schools Block to the High Needs block – this has been agreed with the schools forum.

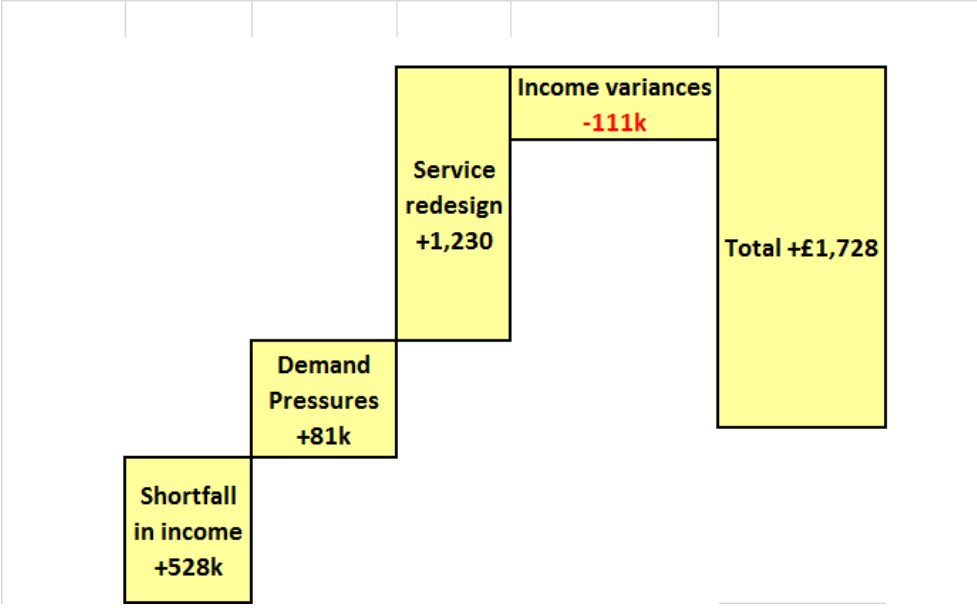
The impact of these measures will be closely monitored monthly, and reported in subsequent budget monitoring reports.

Year	18/19	19/20	20/21	21/22	Totals
	£m's	£m's	£m's	£m's	£m's
Schools Mandatory Cost Threshold (1st £6,000)	-2.25	-2.25	-2.25	-2.25	-9.0
SEN Support & Inclusion – Reduced Out-Borough Placements	-0.4	-1.0	-1.4	-1.4	-4.2
SEN Support & Inclusion – Annual Efficiencies / Savings	0.0	-0.2	-0.2	-0.2	-0.6
DSG Schools Block Transfer	0.0	-0.9	0.0	0.0	-0.9
Additional High Needs Funding	0.45	-0.45	-0.0	-0.0	-0.9
TOTAL RECOVERY	**-3.10**	**-4.80**	**-3.85**	**-3.85**	**-15.6**

4.5 OPERATIONS

4.5.1 The Department of Operations is forecasting an overall overspend of **£1.728m.**

4.5.2 Reasons for major variations are illustrated in the chart below:



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

Activity	Variance £'000	Reason	Action Being Taken
Shortfall in Income	+440	Engineering: Estimated shortfalls in income relating to Off street parking (£262,000), Greater Manchester Road Activities Permit Scheme (GMRAPS) (£28,000), bus lane enforcement (£70,000), decriminalised parking fines (£113,000), coring (£26,000). These are offset by estimated surpluses in Council parking permits (£35,000), on-street parking receipts (£24,000).	The shortfalls have arisen as a result of historic income targets, which are unachievable or where circumstances have now changed; Car park income target does not take into account the fact that the Council no longer has the majority of car parks. GMRAPS (Greater Manchester Road Activities Permit Scheme), again, the income target was set at a time when the utility companies were undertaking a lot of planned renewals of their assets in the Borough.
	+88	Grounds Maintenance: Shortfall in income from Schools and reduced S106 works.	Reduced expenditure where possible, upskill the workforce so more work can be done in-house.

Sub Total	**+528k**		
Demand Pressure	+81	Street Cleaning – Overspend on staffing budgets due to long term sickness.	Reduce spending on non-essential expenditure where possible.
Sub Total	**+81**		
Service Redesign	+1,230	Waste Management – delay in achieving savings target.	Ongoing service performance and staffing review has created a £250k saving already included within the projections. Full range of strategic options developed for SLT/Cabinet consideration. Continue to develop new models of working.
Sub Total	**+1,230**		
Vacancies and Other Staff savings	-38 -73	Traffic Management – saving on staffing budgets due to vacancies. Waste Management – Education Awareness Team - saving on staffing budgets due to vacancies.	Underspends are being used to offset overspends elsewhere within Engineers. Underspends are being used to offset overspends elsewhere within Waste Management.
Sub Total	**-111**		
Total Operations	**+1,728**		

4.6 ART GALLERY & MUSEUM

4.6.1 There is a forecast net overspend of £81,000 due to the Museum Development income budget of £95,000 from prior years continuing to be unachievable. This been offset by a projected underspend on Arts Development of £14,000 due to no travel expected during this financial year and the cost of utilities, pictures/exhibition and promotion spending less than previously projected.

4.7 NON-SERVICE SPECIFIC

4.7.1 There is a forecast net underspend of **£7.673m.** This relates primarily to the Council's Treasury Management activity (see Section 9.0, page 32 for further details) of an increase in investment income (£2.8m), additional dividend receipts from Manchester Airport of £835,000, a reduced need in provisions of £2.2m plus a projected overspend of £537,000 on the Coroner's Court budget.

5.0 CLINICAL COMMISSIONING GROUP (CCG)

5.1. At Month 9, the CCG is reporting a year to date position and forecast outturn in line with plan. However, the CCG is reporting a net risk position of £1.5m.

Table 1: Summary Financial Performance for the Period Ending 31st December 2018

Financial Performance	£000's					
Area	YTD Budget	YTD Actual	YTD Variance	Annual Budget	FOT	FOT Variance
Allocations	**(222,968)**	**(222,968)**	**0**	**(299,789)**	**(299,789)**	**0**
Acute Services	113,206	115,566	2,360	150,920	153,748	2,828
Community Health Services	18,806	19,088	281	25,184	25,432	248
Continuing Care Services	10,159	9,769	(390)	13,553	13,602	49
Mental Health Services	21,323	21,914	591	28,281	29,955	1,674
Other Programme Services	6,912	6,902	(10)	8,686	8,849	163
Primary Care Services	27,615	27,803	188	36,243	37,265	1,023
Primary Care Co-commissioning	19,340	18,668	(671)	26,473	26,469	(4)
Programme Costs	**217,361**	**219,710**	**2,349**	**289,340**	**295,320**	**5,981**
Running Cost	3,258	3,258	0	4,349	4,349	0
Total Costs	**220,619**	**222,968**	**2,349**	**293,689**	**299,669**	**5,981**
Reserves	2,349	0	(2,349)	6,100	120	(5,981)
(Surplus)/Deficit	**0**	**(0)**	**0**	**0**	**0**	**0**

Financial Performance 2018-19

5.2. Key risks identified to be managed and mitigated during 2018/19 continue to be the trend of increased non elective acute activity; the control of elective acute activity as the contract has moved to a Payment by Results (PbR) contract in 2018-19; the non-delivery of the efficiency savings (QIPP) gap of £8.4m; and the ongoing financial sustainability and quality improvement issues for the CCG's main providers. The programme of accelerated savings continues to monitor development and delivery of work streams in order to identify areas where services can be reconfigured or decommissioned.

5.3. Financial Pressures:

5.3.1 At month 9, key areas that are showing significant forecast outturn pressures are acute services, mental health services and primary care.

5.3.2 The acute services continue to be under pressure from increasing non elective activity. Financially this pressure is mitigated due to a 'cap' agreed within the main provider contract, however this is contributing to the CCG underlying deficit position of £5.7m as the contract baseline will be reset in 2019/20. To date no Better Care Fund (BCF) or transformation schemes are supporting the level of deflections needed to address sustainable management or reduction of activity in line with the plan.

5.3.3 Mental health pressures continue into 2018-19 with a significant unplanned cost relating to additional bed days required to support the high level of delayed transfers of care within the mental health acute wards. Work with Local Authority colleagues to address this has been ongoing which has brought the level of delayed transfers of care significantly down, however work is required to ensure that delays are maintained at minimum levels.

5.3.4 Primary care pressures have arisen from increased prescribing, an element linked to flu vaccine uptake and an element due to the decreased availability of reduced priced stock. There is also an overspend associated with the costs of GP IT projects.

5.4. QIPP Delivery:

Table 2 below summarises the forecast QIPP delivery against target at month 9. The recurrent impact of schemes is also noted in the table. The total risk to the delivery of the £8.5m target is £1.0m, which largely relates to the unidentified gap.

Table 2: Summary of forecast QIPP delivery as at month 9

	£000's			
Area	**QIPP Target**	**YTD**	**Total**	**Recurrent**
Acute	2,150	197	623	2,100
Community	170	92	132	158
Intermediate Care	1,500	1,253	1,670	0
Mental Health	170	77	102	27
Prescribing	500	350	350	500
Primary Care	810	450	608	558
Running cost	300	150	200	200
Unidentified	2,890	0	0	0
Non-recurrent Mitigations - (Known)	0	3,716	3,716	0
Non-recurrent Mitigations - (Anticipated)	0	0	1,090	0
Total	**8,490**	**6,284**	**8,490**	**3,543**

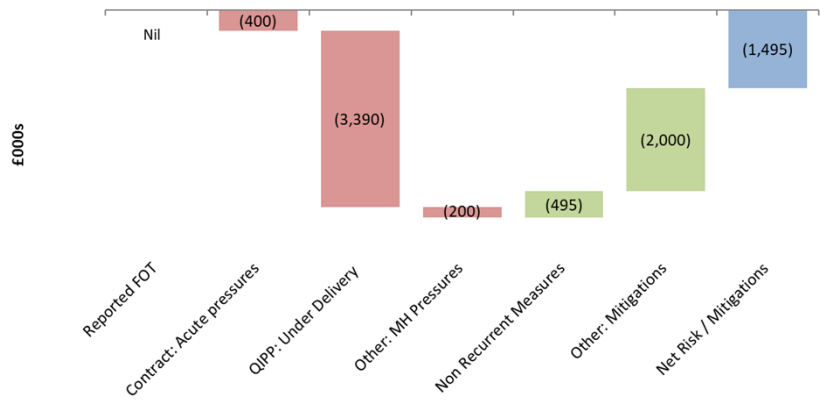
QIPP Tracker 2018/19

A thorough review of anticipated scheme financial delivery has taken place at month 9. The above table also reflects the delivery of non-recurrent mitigations brought into the YTD financial position. This largely relates to the release of contingency balances. The risk to delivery of existing schemes and the identification of further schemes and mitigations is being managed and monitored and managed through the accelerated savings group on a regular basis.

5.5. Risk adjusted forecast outturn:

The risk adjusted forecast outturn has reduced from a £2m deficit at month 6 to a £1.5m deficit at month 9, as improved assessments of the delivery of QIPP schemes are made and non-recurrent mitigations are confirmed. Work continues to identify and manage further risks together with the identification of mitigations.

Figure 1: Risk adjusted forecast outturn at month 9



6.0 CAPITAL BUDGET

6.1 CAPITAL PROGRAMME

6.1.1 The revised estimated budget for the Capital Programme 2018/19 as at the end of December 2018 is shown in the table below:

2018/19	£m
Original Capital Programme	25.368
Slippage from 2017/18	28.398
In year adjustments	2.074
In-Year Review of Programme	(15.204)
Revised Capital Allocation at Qtr 3	**40.636**
Estimated slippage into 2019/20	0
Revised working budget for Year at Qtr3	**40.636**

6.1.2 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 to the end of Month 9, and the estimated under/over-spend of the capital programme for 2018/19 is shown in Appendix A.

6.1.3 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.

6.1.4 During this second quarter budget managers undertook a review of the programme and identified projects that will not start by the end of this financial year; this is due to the timing of planning, delivery capacity or pressures elsewhere in the programme.

6.1.5 The larger schemes in the programme were also reviewed to establish the actual cash flow requirement over the duration of their projected delivery and this is now aligned in the expected expenditure for this financial year.

6.1.6 A total of £14.606m of the 2018/19 budget was agreed at Month 6 to be shown as re-profiled into 2019/20. This figure is now updated with the latest information on the progress of the schemes and will be shown as part of the funded element for the new 2019/20 programme, at £15.204m.

6.1.7 The majority of re-profiled funding relates to Children's Services Projects where the schemes are funded mainly by grants from Department of Education, to a total of £8.342m. The remainder is attributable to Housing Development Schemes to a total of £2.308m and £3.042m for Highways maintenance and flood repair and defence projects.

6.1.8 The programme will continue to be reviewed for the last three months of the year to ensure the estimated final expenditure is reflected in the revised budgets for the year.

6.2 Expenditure

6.2.1 The Forecast Outturn as at Month 9 is projected to be £40.636m and Budget Managers have reported that they expect to spend in accord to this by 31 March 2019.

6.2.2 Actual expenditure after accruals that was realised by the end of Month 9 totals £23.165m.

6.2.3 The main areas of expenditure to the third quarter are:

- Housing Development schemes £4.383m
- Children's, Young People and Culture £4.837m
- Property Development £0.920m
- Highways Schemes £5.537m
- Housing Public Sector £5.890m

6.3. Variances

6.3.1 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 underspend for the Programme of £0.765m.

6.3.2 This amount is not material in relation to the size of the programme and it is expected to reduce as schemes progress in year.

6.3.3 All forecasted overspends are routinely monitored and analysed by budget managers and management accounts with remedial action initiated as soon as the risk is deemed to negatively affect the programme or its outcomes.

6.3.4 Brief reasons for all variances are provided in Appendix A, attached with this report.

6.4 Funding

6.4.1 The funding profile included in Appendix A shows the resources available to cover the capital programme during 2018/19.

6.4.2 The principal source of funding for Capital schemes approved for the 2018/19 programme is external resources together with resources set aside and carried forward from previous years.

6.4.3 The Council approved in 2017 new allocations as part of a three year programme towards Highways Improvement works and in 2018 a budget for Neighbourhood working projects to a total value of £4.35m, funded by Council's own resources through capital receipts and borrowing.

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

2018/19 Use of Council Resources for Capital Investment	**£m**
Revised Capital Programme allocation for the year	40.636
Use of external funding and contributions	23.699
Balance of programme relying on Council resources	**16.937**
Use of Capital receipts and earmarked reserves	4.662
Use of Prudential Borrowing (2018/19 approved schemes)	2.260
Use of Prudential Borrowing (2017/18 schemes brought forward)	10.015
Total Council Resources used to support the Capital Budget for Year	**16.937**

6.5 Capital Programme Monitoring

6.5.1 The programme will continue to be monitored closely during the year by CPMG and Management Accountancy with an aim to identify any potential risks to delivery of schemes on cost and time.

6.5.2 The review of the operational programme will ensure that re-profiled schemes into 2019/20 (see paragraph 6.1.6) will benefit from a refined planning process and will aim to achieve a 'true' slippage target that is consequential only to factors outside the Council's control.

7.0 HOUSING REVENUE ACCOUNT

7.1 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.

7.2 The latest estimates show a projected surplus (working balance carried forward) of £1.030m at the end of 2018/19. The projected outturn shows a deficit balance of £0.792m. See Appendix B.

7.3 There are a number of variations that contribute to the projected outturn position but there are three significant areas where the variance exceeds 10% and £50k that have resulted in the projected deficit balance:

- General Management - the projected outturn reflects the introduction of a £0.400m contribution to the authority's Corporate and Democratic Core costs – this is an accepted charge to the HRA and has been identified as part of the review of Housing Services.
- Rents, rates, taxes & other charges – the projected underspend has resulted from refunds of overpaid Council Tax on empty properties; these refunds cover a number of financial years and will be a one-off credit to the HRA.
- Revenue contributions to capital – the contribution required to the costs of major works to the housing stock last year was significantly lower than the budget due to significant slippage on planned schemes; these resources are now required in 2018/19 to complete the 2017/18 programme. The unspent resources in 2017/18 were transferred to the Business Plan Headroom Reserve

on a temporary basis and will need to be released back to the HRA to maintain its minimum level of balances.

7.4 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 1.19% which is slightly better than the 1.2% void target level set in the original budget. If this performance was to continue for the rest of the year there would be an increase in rental income of £3k over the original budget; the projections of rental income in Appendix B have been calculated on this basis. Performance has continued to improve (running at an average of 0.8% over the period October to December) therefore the increase in rental income could be even higher; this will be taken into account when setting the target level for the next financial year.

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

Arrears:
The rent arrears at the end of December totalled £1.622m, an increase of 12.6% since the end of March. Of the total arrears £0.648m relates to former tenants and £0.974m relates to current tenants. An estimated £0.359m 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 arrear, the amount outstanding on each individual case and the balance remaining in the provision following write off of debts.

Based on the performance to the end of December, projected for the full year, this provision would require an additional contribution of £0.338m to be made.

The 2018/19 HRA estimates allow for additional contributions to the provision totalling £0.473m, £0.178m for uncollectable debts and £0.295m to reflect the potential impact that welfare benefit changes could have on the level of rent arrears. Therefore there is a potential underspend of £0.135m. The projected outturn has not been amended to reflect this as rent arrears are volatile and an increase in the numbers of Universal Credit cases is expected during the current financial year.

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 55 sales in 2016/17 and this increased to 71 sales last year.

The forecast for 2018/19 was set at 60, this being an increase of 15 on the level of sales assumed for Bury in the Government's self–financing valuation.

From July 2014 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 £80,900.

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 £3,700.

The forecast was amended at quarter 1 from 60 to 70 but was revised back down to 60 at the end of quarter 2. There have been 40 sales in the period April to December. This is 6 less than at this point last year. However the number of applications currently proceeding is higher than at this point last year (87 compared to 74). The forecast has been kept at 60 although it may be that this level is exceeded; the projections of rental income in Appendix B have been calculated on this basis;

7.5 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; it has been announced that following this period there will be a return to the previous rent policy i.e. increases of Consumer Price Inflation (CPI) plus 1% for a period of at least 5 years.

8.0 PRUDENTIAL INDICATOR MONITORING

8.1 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 2018/19 is outlined in the approved Treasury Management Strategy Statement.

8.2 The authority continues to monitor the Prudential Indicators on a quarterly basis and Appendix C shows the original estimates for 2018/19 (approved by Council on 21 February 2018) with the revised projections as at 31 December, 2018. The variances can be seen in the Appendix together with explanatory notes. The Prudential Indicators were not breached during the first nine months of 2018/19.

9.0 TREASURY MANAGEMENT

9.1 Investments:

9.1.1 At the 31st December 2018 the Council's investments totalled £10.3 million and comprised:-

Type of Investment	£ Million
Call Investments (Cash equivalents)	6.4
Fixed Investments (Short term investments)	3.9
Total	**10.3**

9.1.2 All investments were made in line with Link's suggested credit worthiness matrices and the approved limits within the Annual Investment Strategy were not breached during the first three quarters of 2018/19.

9.1.3 The Council has earned the following return on investments:

Quarter 1 0.50%
Quarter 2 0.61%
Quarter 3 1.03%

9.1.4 This figure is higher than Link's suggested budgeted investment earnings rate for returns on investments, placed for periods up to three months in 2018/19, of 0.75%

9.2 Borrowing:

9.2.1 External borrowing of £5.6 million was undertaken in the year to 31st December 2018. A PWLB loan for 40 years was taken to cover the first part of the loan to Manchester Airport made in July 2018. An additional PWLB for the second part of the loan to the airport will be taken in February 2019.

At 31st December 2018 the Council's debts totalled £190.145 million and comprised:-

		31 December 2018		
		Principal		Avg.
		£000	£000	Rate
Fixed rate funding				
	PWLB Bury	131,453		
	PWLB Airport	6,189		
	Market Bury	44,000	181,642	
Variable rate funding				
	PWLB Bury	0		
	Market Bury	0	0	
Temporary Loans / Bonds		8,503	8,503	
Total Debt			**190,145**	**3.96%**

9.2.2 The overall strategy for 2018/19 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 2018/19, then savings will be made by running down investments and taking shorter term loans rather than more expensive long term borrowing.

9.2.3 It is anticipated that further borrowing will be undertaken during this financial year.

10.0 MINIMUM LEVEL OF BALANCES

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

	£m
General Fund Balance 31 March 2018 per Accounts	**7.549**
Less : Minimum balances to be retained in 2018/19	-4.250
Less : Forecast overspend at Month 9	-2.608
Add: Contribution to General Fund balances per 2018/19 Budget report	+2.811
Forecast Available Balances at 31 March 2019	**3.502**

10.2 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 2018/19 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.

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

10.4 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.

11.0 EQUALITY AND DIVERSITY

11.1 There are no specific equality and diversity implications.

12.0 FUTURE ACTIONS

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

Councillor Eamonn O'Brien, Cabinet Member for Finance and Housing

---

List of Background Papers:-
Finance Working Papers, 2018/19 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*

Bury MBC: Capital Budget Monitoring Statement **Appendix A**

Month 9 - 2018/19

		(1) 2018/19 Original Estimate £000's	(2) Slippage £000's	(3) Adjust-ments £000's	(4) In-year review £000's	(5) Revised Estimate Before Slippage £000's	(6) Slippage to Future Years £000's	(7) Revised Estimate for the year £000's	(7) Forecast Outturn 2018/19 £000's	(8) 2018/19 Month 09 Actual £000's	(9) Month 9 Variance / (Underspend) or Overspend £000's	
Children & Young People	DFES - Devolved Formula	461	738	(25)	(831)	343		343	346	346	3	☺
Children & Young People	NDS Modernisation	6,243	8,848	304	(7,406)	7,989		7,989	7,988	4,531	(1)	⊗
Children & Young People	Access Initiative	-	6	-	(6)	0		0	0	0	0	☺
Children & Young People	Targetted Capital Funds	-	(76)			(76)		(76)	(76)	(137)	-	☺
Children & Young People	Free School Meal Capital Grant	-	22	(22)		-		-	-	-	-	☺
Children & Young People	Early Education Fund	-	140	3	(100)	44		44	44	36	-	☺
Children & Young People	Healthy Pupils Condition Fund			67	-	67		67	67	51	0	☺
Children & Young People	Protecting Play Fields		10	(0)		10		10	10	10	0	☺
Communities & Wellbeing	Environmental Works		85	-	(54)	31		31	31	-	-	☺
Communities & Wellbeing	Environmental Nuisance Measures		46	105		151		151	151	37	-	☺
Communities & Wellbeing	Improving Info.Management		80	-		80		80	80	-	-	☺
Communities & Wellbeing	Parks		91	63	(108)	46		46	101	54	55	☺
Communities & Wellbeing	Social Care Single Capital Pot / Older people	455	19		(474)	(0)		(0)	-	(83)	0	☺
Communities & Wellbeing	Empty Property Strategy		405	-		405		405	405	29	-	☺
Communities & Wellbeing	Housing development - Urban Renewal		5,719	106	(1,173)	4,652		4,652	4,652	4,383	0	☺
Communities & Wellbeing	Disabled Facilities Grant	968	700	267	(1,136)	800		800	800	450	-	☺
Communities & Wellbeing	Waste Management		27			27		27	27		-	☺
Communities & Wellbeing	Neighbourhood Working	600			(600)	-		-	-	-	-	☺
Resources & Regulation	Flood Repair & Defence		1,392	225	(1,466)	151		151	151	59	(0)	☺
Resources & Regulation	Street Lighting LED Invest to Save		**251**	107		358		358	358	213	-	☺
Resources & Regulation	Traffic Management Schemes		271	(139)		132		132	32	3	(100)	⊗
Resources & Regulation	Public Rights of Way		89			89		89	89	3	-	☺
Resources & Regulation	Planned Maintenance	5,629	4,594	185	(1,576)	8,831		8,831	7,987	4,700	(844)	⊗
Resources & Regulation	Policy		9	25		34		34	34		-	☺
Resources & Regulation	Bridges		119			119		119	119	36	-	☺
Resources & Regulation	Traffic Calming and Improvement		497			497		497	497	170	-	☺
Resources & Regulation	Prestwich Town Centre		1,020			1,020		1,020	1,020	353	-	☺
Resources & Regulation	Environmental Projects	13	304	29	(64)	282		282	282	191	-	☺
Resources & Regulation	Radcliffe Regeneration Action Plan			200	(200)	-		-	-	-	-	☺
Resources & Regulation	Development Group Projects		11	-	(11)	-		-	-	-	-	☺
Resources & Regulation	Corporate ICT Projects	1,170	345	296		1,811		1,811	1,811	809	-	☺
Resources & Regulation	Property Development		50	278		328		328	761	920	432	⊗
Resources & Regulation	Property Management / Sale of Assets			-		-		-	90	89	90	☺
Resources & Regulation	ELR Trust					-		-		21	-	☺
Housing Public Sector	Disabled Facilities Adaptations		100			100		100	650	232	550	⊗
Housing Public Sector	Housing programme Major works (HRA funded)	9,830	2,486			12,316		12,316	11,364	5,659	(952)	⊗
Total Bury Council controlled programme		**25,368**	**28,398**	**2,074**	**(15,204)**	**40,636**	**-**	**40,636**	**39,871**	**23,165**	**(765)**	

Funding position:

Capital Receipts	***1,700***	637	458	(206)	2,589		2,589	3,170
Reserve / Earmarked Capital Receipts	***70***	2,178	459	(784)	1,922		1,922	1,823
General Fund Revenue	**-**	45	105		150		150	150
Housing Revenue Account	**-**	700			700		700	700
Capital Grants/Contributions	***10,018***	12,237	1,042	(12,714)	10,583		10,583	9,738
HRA/MRA Schemes	***9,830***	2,586	-		12,416		12,416	12,014
Unsupported Borrowing (approved 18/19)	***3,750***	-	10	(1,500)	2,260		2,260	9,166
Unsupported Borrowing older schemes		10,015			10,015		10,015	3,109
	25,368	**28,398**	**2,074**	**(15,204)**	**40,636**	**-**	**40,636**	**39,871**

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	

This page is intentionally left blank

HOUSING REVENUE ACCOUNT

Appendix B

April 2018 - December 2018

	2018/19 Original Estimate £	2018/19 Latest Estimate £	2018/19 Projected Outturn £	2018/19 Variation Over/(Under) £
INCOME				
Dwelling rents	29,206,600	29,206,600	29,184,900	21,700
Non-dwelling rents	195,600	195,600	192,900	2,700
Heating charges	39,000	39,000	38,768	232
Other charges for services and facilities	935,900	935,900	965,500	(29,600)
Contributions towards expenditure	34,900	34,900	48,800	(13,900)
Total Income	30,412,000	30,412,000	30,430,868	(18,868)
EXPENDITURE				
Repairs and Maintenance	5,000	5,000	2,500	(2,500)
General Management	831,000	831,000	1,160,327	329,327
Special Services	857,200	857,200	839,800	(17,400)
Rents, rates, taxes and other charges	111,400	111,400	(75,000)	(186,400)
Increase in provision for bad debts - uncollectable debt	178,400	178,400	178,100	(300)
Increase in provision for bad debts - impact of Benefit I	294,900	294,900	295,400	500
Cost of Capital Charge	4,625,600	4,625,600	4,686,100	60,500
Depreciation/Impairment of fixed assets - council dwel	8,230,800	8,230,800	8,007,000	(223,800)
Depreciation of fixed assets - other assets	51,100	51,100	43,602	(7,498)
Debt Management Expenses	40,600	40,600	40,600	0
Contribution to/(from) Business Plan Headroom Reserv	107,700	107,700	107,700	0
Total Expenditure	15,333,700	15,333,700	15,286,129	(47,571)
Net cost of services	(15,078,300)	(15,078,300)	(15,144,739)	(66,439)
Amortised premia / discounts	(7,700)	(7,700)	(7,700)	0
Interest receivable - on balances	(47,100)	(47,100)	(31,000)	16,100
Interest receivable - on loans (mortgages)	0	0	(310)	(310)
Net operating expenditure	(15,133,100)	(15,133,100)	(15,183,749)	(50,649)
Appropriations				
Appropriation relevant to Impairment	0	0		0
Revenue contributions to capital	1,744,500	1,744,500	3,616,800	1,872,300
(Surplus) / Deficit before ALMO/SHU payments	(13,388,600)	(13,388,600)	(11,566,949)	1,821,651
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)	1,811,651	1,821,651
Working balance brought forward	(1,020,000)	(1,020,000)	(1,020,000)	0
Working balance carried forward	(1,030,000)	(1,030,000)	791,651	1,821,651

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

This page is intentionally left blank

REPORT FOR DECISION

MEETING:	**OVERVIEW & SCRUTINY COMMITTEE** **CABINET** **COUNCIL**
DATE:	**13 FEBRUARY 2019** **20 FEBRUARY 2019** **20 FEBRUARY 2019**
SUBJECT:	**REVENUE BUDGET 2019/20**
REPORT FROM:	**CABINET MEMBER FOR FINANCE & HOUSING**
CONTACT OFFICER:	**S Kenyon – Interim Executive Director of Resources & Regulation**

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

SUMMARY:

The report provides Members with details of the 2019/20 revenue budget and outlines;

- the Local Government Finance Settlement for 2019/20
- Forecast outturn for 2018/19
- The budget strategy for 2019/20 and the approach to balancing the budget in future years

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.

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, and the level of the Council Tax for 2019/2020, at its meeting on 20th February 2019.

Council is recommended to:

1. Note the details of the Final Settlement Funding Allocation (SFA) for 2019/20.

2. Note that under delegated powers the Interim Executive Director of Resources & Regulation has calculated the amount of 53,600 as the Council Tax base for the year 2019/20 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;

3. Note the forecast outturn position for 2018/19;

4. Approve that the minimum level of balances for 2019/20 be set at £4.250m in view of the Council's risk profile;

5. Adopt the part proceedings and recommendations of the Cabinet on 20 February 2019 which contain details of the following:

   Corporate Revenue Budget 2019/20

   Children and Young People Budget 2019/20
   Communities & Wellbeing Budget 2019/20
   Resources & Regulation Budget 2019/20
   Business, Growth & Infrastructure Budget 2019/20
   Operations Budget 2019/20

   Capital Strategy 2019/20 to 2023/24
   Capital Programme 2019/20 to 2021/22

   Dedicated Schools Grant Budget 2019/20

6. Endorse the statements by the Interim Executive Director of Resources & Regulation on the robustness of budget assumptions and on the minimum level of balances;

7. Determine the level of the Council Tax for 2019/20.

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. Staffing, ICT and property are addressed in Directorate budget reports accompanying this report.
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 at this stage. 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:	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 2019. The Cabinet have full authority to implement the budget within the budget framework set by Council and they have wide discretion in doing so. Whilst the overall budget sets individual budgets and plans for service areas, these are formative only at this stage. Full and final decisions will be made by the Cabinet (or officers under delegated powers) during the forthcoming year, at which point full and separate consideration to the Council's duties, including but not limited to, equalities and public consultation, will be considered and finalised. In setting the proposed budget, due regard has to be given to relevant considerations including equality, human rights, proportionality,

reasonableness, the need to deliver statutory obligations, legitimate expectation and the Council's priorities.

Members' attention is drawn to the legal advice set out in Appendix 1.

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
28/1/2019	28/1/19		
Scrutiny Committee	**Cabinet**	**Committee**	**Council**
13/1/19	20/1/19	JCC 14/2/19	20/1/2019

1.0 INTRODUCTION

1.1 This report is the main budget report for the Council for 2019/20, and is supported by the following documents;

- Departmental Budget Reports
- Capital Strategy 2019/20 – 2023/24
- Capital Programme 2019/20 – 2021/22
- Dedicated Schools Grant (DSG) 2019/20

1.2 The following are separate reports as they require their own decision by the Council;

- Housing Revenue Account 2019/20
- Treasury Management Strategy 2019/20

1.3 The report begins by providing Members with details of the Local Government Finance Settlement for 2019/20 and the impact on Bury. It then goes on to provide details of the forecast revenue outturn position for 2018/19 and the draft Revenue Budget for 2019/20. Finally it summarises the options identified for meeting the anticipated shortfall on the draft budget.

1.4 Local Government finance is a complex subject and to assist Members a glossary of the main terms and acronyms is attached at Appendix 2.

1.5 A draft settlement was announced on 13th December 2018, outlining indicative allocations for 2019/20. Final Settlement figures were confirmed on 29th January 2019.

1.6 Setting the budget for 2019/20 will be a difficult exercise and so to assist Members the Assistant Director (Legal and Democratic Services) has prepared a note (attached at Appendix 1) 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 regarding the budget. **Members are strongly advised to give their best attention to this advice.**

1.7 Members should also be aware that the budget proposals for 2017/18 to 2019/20 were approved by full Council in February 2017.

2.0 FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2019/20

Local Retention of Business Rates / Move to 100% Retention

2.1 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.

2.2 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%

2.3 **From April 2017, Greater Manchester Authorities have piloted a 100% retention scheme.**

2.4 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

2.5 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

2.6 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.

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

2.8 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.

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

2.10 The operation of the pool and 100% pilot has generated surpluses and the GMCA proposes the return of **£847k** to the Council (formal decision expected 15th February 2019). If agreed, it is proposed that **£540k** of this be used to support the work of the Growth Directorate in 2018/19, with the remaining **£307k** supporting the 2019/20 budget.

Localised Council Tax Benefit Scheme

2.11 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.

2.12 The local scheme is reviewed annually; the 2019/20 scheme was approved at Council in November 2018; largely unchanged – simply aligning timescales with other benefit arrangements.

2.13 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

2.14 The Council no longer has scope to apply a Social Care Precept – having applied 3% for 2017/18 and 2018/19. There is however an ongoing benefit to the Council as these amounts form part of the overall Council Tax yield going forward.

Overview of Settlement

2.15 Bury's 2019/20 headline "Settlement Funding Allocation" (SFA) is as follows;

	SFA (Dec 2018) **£m**	**Change** **%**
2018/19 *2019/20*	57.049 52.972	*-7.1%*

2.16 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 for Greater Manchester authorities, and additional resources that would be available if comparable funding levels were applied;

	SFA 2019/20 Per Head **£**	**SFA 2019/20 Extra** **£m**
Bury	**£279.35**	
Greater Manchester Average	£376.91	**£18.5m**

2.17 Nationwide comparisons of SFA are no longer valid given the operation of various Business Rates Retention pilot schemes.

Fair Funding Review

2.18 The Government is currently reviewing the approach taken to assessing the needs of Local Authorities and distribution of resources – "Fair Funding Review"; for implementation 2020/21.

2.19 The Council has engaged proactively with the consultation process, and will continue to do so in responding to the latest consultation exercise.

2.20 It is too early to assess whether this review will provide any additional resources for Bury.

2.21 Members will be updated as soon as further information becomes available.

Rolled in Grants

2.22 Values for grants previously rolled into the SFA 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	**2018/19 £'000**	**2019/20 £'000**	**Change £'000**
Homelessness Prevention Grant	458	457	-1
Learning Disability / Health Reform	4,697	4,784	+87
Care Act Implementation	1,305	1,803	+498
Lead Local Flood Authorities	155	158	+3
Sustainable Drainage Systems	9	9	0
	6,624	**7,211**	**+587**

2.23 Other grants have reduced in the Settlement e.g. Early Intervention Grant (from £3.893m to £3.559m), and the budget is structured on the basis that the indicative 2019/20 levels will apply – ie no protection for services at historic levels.

2.24 The Public Health Grant is also seeing a **£307k** reduction from 2018/19 levels (from £11.632m to £11.325m). This is no longer a ring-fenced grant, however it is proposed that the level of funding be preserved at the 2018/19 level, given the importance of Public Health initiatives to the implementation of the Bury Locality Plan.

Other Specific Grants

2.25 In addition to the overall Settlement, a number of specific grants are made available. These grants form part of the Council's mainstream budget, and have seen reductions in the 2019/20 Settlement; these grants have been protected in drafting the 2019/20 budget;

Grant	**2018/19 £'000**	**2019/20 £'000**	**Change £'000**

Housing Benefit Admin Subsidy Grant	694	574	-120
Council Tax Support Admin Grant	238	230	-8
	819	**0**	**-128**

2.26 The final settlement also outlined a ringfenced Adult Social Care Grant of £816k, and a further Social Care Grant (Adults & Children) of £1.4m; these are being applied to support existing spend / pressures.

3.0 FORECAST OUTTURN 2018/19

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 As 2019/20 represents the final year of the 3 year budget, it is not necessary to undertake a formal revision of the current budget. However 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 2018 (i.e. month 9):

Department	Budget £000	Forecast £000	Variance £000
Communities & Wellbeing	69,886	71,207	**+1,321**
Resources & Regulation	5,744	6,452	**+708**
Children, Young People & Culture	40,171	44,630	**+4,459**
Business, Growth & Infrastructure	(3,785)	(1,801)	**+1,984**
Operations	10,467	12,195	**+1,728**
Art Gallery & Museum	438	519	**+81**
Non Service Specific	15,095	7,422	**(7,673)**
TOTAL	**138,016**	**140,624**	**+2,608**

3.4 The forecast shows a net overspend of **£2.608m (1.89%)** 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 month 9 position is higher than the 2017/18 year end position, however represents an improvement upon previous quarters as follows;

2017/18 Outturn	2018/19 Quarter 1	2018/19 Quarter 2	2018/19 Month 9
+£0.844m	+£3.176m	+£3.589m	+2.608m

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

3.7 The Joint Executive Team and Cabinet meet regularly and pay close attention to the overspend.

3.8 The new Chief Executive has established a Budget Recovery Group – a dedicated resource to support the preparation and delivery of the budget.

3.9 A Budget Review Team has also been created, with 4 x FTE deployed from elsewhere in the Council into a full time team to support the budget process.

3.10 In addition, regular reports are provided to the Overview & Scrutiny and Audit Committees.

4.0 DRAFT REVENUE BUDGET 2019/20

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

- The budget forecast
- "Golden Rules" supporting the budget strategy
- Assumptions behind the draft budget
- The potential Council Tax position
- The draft budget for 2019/20

4.2 The report then goes on to consider 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 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 2019/20 Budget, based upon an 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.

4.4.5 Work is scheduled to take place during 2019/20 to prepare a new 3 year Medium Term Financial Strategy. This will flow from a new Corporate Plan which is also being prepared.

4.4.6 Similarly, a longer term view is to be taken of the Capital Programme (and revenue implications) aligned to the new Capital Strategy.

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 and have been updated in light of the recommendations of the recent LGA review:

- 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.

- Use of one-off options to support the on-going revenue budget must be in the short term only and supported by a robust strategy to address underlying pressures in the Council's cost base.

- Prudential borrowing can be undertaken to support capital spend relating to regeneration / growth initiatives, and commercialisation / transformation of Council services. All proposals to be subject to robust business case assessing prudence, sustainability and affordability.

- Pressures and savings will be assessed on a 3-year, rather than a one year basis through a revised Medium Term Financial Strategy.

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.

4.6 Assumptions

4.6.1 The report outlines the budget for 2019/20. No information is available beyond this point pending future government spending reviews, and also the "Fair Funding Review".

4.6.2 Pending the outcome of the above, the Council is currently revising its Corporate Plan, which will be supported by a Medium Term Financial Strategy for the period 2020/21 to 2023/24.

4.6.3 Budget cuts options were drafted in a three year window and approved by Council in February 2017. Options recognised 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.

4.6.4 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.

4.6.5 Preparation of the budget has been extremely challenging and the risks associated with such a strategy have been reflected in the calculation of the minimum level of balances.

4.6.6 In determining the assumptions to be used to underpin the 2019/20 budget the following considerations have been taken into account;

	Note	2019/20
Pay	1	2.0%
Pensions (increase in employers' contribution rate)	2	0.0%
Prices	3	0.0%
Waste levy	4	Actual
Transport levy	5	Actual
Rise in income from fees and charges	6	0.0%
Council Tax base (no. of Band Ds)	7	53,600
Assumed Council Tax rate rise	8	2.94%
Assumed Social Care Precept	9	0%

Notes:

1. **Pay** - the current budget forecast makes a 2% provision for pay inflation in 2018/19 – based upon current pay award offers. The budget recognises proposed amendments to the pay structure in line with the NJC national Local Government pay spine. The budget also provides for the proposed removal of 3 days mandatory unpaid leave. This measure is proposed to enhance staff morale, and establish a baseline for a trusting relationship with staff.

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 be 20.5% to 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 request funding towards unavoidable/contractual inflationary cost increases during the budget process. 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 -** Following termination of existing contractual arrangements, and a revised assessment of current tonnages the Council will see a £639,000 increase in its waste levy for 2019/20; to £14.209m. The budget has been structured on this basis.

Levies for future years will be determined once re-procurement of the contract is complete.

5. **GMCA / Transport Levy** – following robust budget scrutiny, it is proposed that the overall Transport Levy will be frozen for 2019/20 (adjusted for population). In addition, it is proposed that £5 million of Transport reserves is to be returned to GM districts; Bury's share being £339k (based on population). This needs to be agreed by the GMCA (15th February 2019).

6. **Income** – the target uplift has been set at 0% reflecting the pressures upon income budgets. Directors / Portfolio Holders are free to decide how much prices may increase depending on their individual circumstances, legislative increases, and the market sensitivity of prices.

7. **Council Tax Base** - acting under delegated powers, the Interim Executive Director of Resources & Regulation has calculated the amount of **53,600** Band D equivalent properties as the Council Tax base for the year 2019/20 in accordance with regulations made under section 33(5) of the Local Government Finance Act 1992. This compares to 52,850 in 2018/19.

8. **Council Tax rate** – this report is drafted on the basis of an assumed 2.94% Council Tax rise. This is a working assumption, however it should be noted the actual rate is determined by Full Council.

9. There is no application of a further Adult Social Care precept as the Council has applied rates of 3% in 2017/18; 2018/19 – up to the maximum 6% permissible over three years.

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 2019/20, the Government has indicated that any Council Tax increase "at or above 3%" would trigger a referendum.

4.6.7 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.

4.6.8 Members' attention is also particularly drawn to towards:

- Ongoing and historical demand led pressures in excess of nominal inflation
- The opinion of the External Auditors (KPMG) that ***"the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"***
- The level of cuts made (& delivered) - £78 million since 2010

- The 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 8.0 and Members are asked to give particular attention and endorsement to these comments.

4.6 The Draft Budget 2019/20

4.7.1 This draft budget outlined overleaf reflects the assumptions set out in section 4.6 above;

2019/20	£'000	£'000
Opening Budget		**138,016**
Add: losses on grants now rolled in to settlement		587
Add: losses on protected specific grants		128
Add: loss on Public Health Grant		307
Inflation:		
Pay		3,548
Contractual Commitments (incl. Living Wage)		4,334
Energy Costs		102
Income		0
Staffing costs:		
Increments		427
Cessation of 3 days unpaid leave		355
Levies:		
Combined Authority (incl Transport)		0
Waste Disposal		639
Corporate / Technical Items:		
Investment Income		-2,159
Reprofiling of Minimum Revenue Provision		158
Revenue Effects of Capital Programme		217
Reduced New Homes Bonus		442
Additional S31 grants in lieu of NNDR reliefs		-2,541
Return from GM Business Rates (tbc)	-847	
Support to Growth Plan (2018/19)	540	-307
Return of Transport Reserves (tbc)		-339
Charges to HRA (Corporate Core)		-400
Support for Service Pressures:		
Communities & Wellbeing	1,500	
Children & Young People	3,200	
Operations	506	
Business Growth & Infrastructure	1,281	
Resources & Regulation	0	
Non-Service Specific	547	7,034
Standstill Budget		**150,548**
Less:		
Settlement Funding Assessment	-52,972	
Council Tax	-83,130	
Collection Fund Surplus	-2,760	138,862
GAP		**11,686**
Available Savings:		
Original Savings Plan	-11,898	
Less slippage;		
Communities & Wellbeing	756	
Children & Young People	525	
Operations	1,330	
Business Growth & Infrastructure	1,435	
Resources & Regulation	550	
Non-Service Specific	0	-7,302
REMAINING GAP		**4,384**
Use of dormant Earmarked Reserves:		
ABG Topslice	454	
Airport Reserve	949	
BCCI Reserve	127	
Connexions	1,408	
Performance Reward	2,072	-5,010
Remainder to General Fund Balances		**-626**

**** This estimate is based upon an assumed 2.94% Council Tax increase; it should be noted that the actual level of Council Tax is determined annually by Full Council.***

4.7.4 The original cuts target for 2019/20 was £9.087m, however this was revised to £11.898m following reprofiling in the 2018/19 Budget Report. The table below sets out the revised profile, and also targets for the new Operations and Business, Growth & Infrastructure directorates.

Directorate	Original Target 2019/20 £'000	Reprofiled from 2018/19 £'000	Revised Target 2019/20 £'000
Communities & Wellbeing	4,241	1,144	**5,385**
Resources & Regulation	1,240	91	**1,331**
Children & Young People	2,181	1,143	**3,324**
Operations	800	0	**800**
Business Growth & Infrastructure	625	0	**625**
Non Service Specific	0	433	**433**
	9,087	**2,811**	**11,898**

Total cuts from 2010 are summarised below;

Year	Cut £'000
2011/12	9,575
2012/13	8,656
2013/14	9,871
2014/15	9,652
2015/16	15,807
2016/17	11,579
2017/18	13,335 }
2018/19	6,643 } £31.876m
2019/20	11,898 }
	97,016

5.0 OPTIONS FOR BALANCING THE 2019/20 BUDGET

5.1 2019/20 represents the final year of the three year budget (2017/18 to 2019/20) approved by the Council in February 2017.

5.2 The three year budget faced considerable challenges in delivering cuts totaling £32 million.

5.3 Many of the savings plans have been delivered (£15m to date), however slippage has occurred in some areas deferring £5m cuts into the final year of the three year period (2019/20).

5.4 Rigourous assessment of all savings plans has taken place throughout the year to identify what is realistically deliverable, and where alternative plans are required.

5.5 Additional resources of £4.334m have been identified in the Communities and Wellbeing Directorate.

5.6 Savings totalling £4.596m are supported on a one-off basis in 2019/20, however must be delivered in 2020/21. More robust plans are in place to deliver the majority of these savings in 2020/21.

	£'000
2019/20 Savings Target	11,898
Add Backlog of undelivered savings (Yrs 1 & 2)	5,040
Less Additional Resources Identified (CWB)	(4,334)
Less Slippage to 2020/21	(4,596)
Delivery Target for Year	**8,008**

5.7 Detailed plans are in place to deliver the remaining £8 million of the original savings plan in 2019/20 – outlined at Appendix 3, and in Directorate Budget Reports showing;

- Achievement of savings to date
- Areas where savings plans have experienced slippage / delays
- Key service pressures
- Mitigation / measures put in place to address the above
- Resulting "gap" which forms the basis of this overall budget report

5.8 In addition to the £4.596m slippage which requires support in the 2019/20 budget, unavoidable pressures of £7.034 million have been identified – a total of £11.630m requiring support in 2019/20.

5.9 Additional resources have been released through a detailed assessment of corporate budget forecasts, including;

Area	**Amount £'000**	**Sustainability**
Improved Council Tax Base	400	Ongoing
Revised inflation forecasts - impact of living wage on contracts	900	Deferred to 2020/21
Improved Treasury Management / Investment activity	1,600	£800k potentially one-off.
Review of the Housing Revenue Account	400	Ongoing
GM business rates initiatives	800	Dependent upon overall

		GM performance
Collection Fund	2,700	Assessed annually
	6,800	

It should be noted that some of these measures may be one-off in nature, or simply defer costs into future years.

5.10 A review of earmarked reserves has been undertaken, with a view to identifying those which are dormant / no longer needed.

5.11 Dormant Earmarked Reserves totalling £5.010 million have been identified, to support the budget leaving headroom of £626k which it is proposed be transferred to bolster General Fund reserves.

5.12 Clearly any decision to utilise reserves is not taken lightly as it is clearly a one-off measure, and simply defers costs / pressures to future years.

5.13 It is imperative that the remaining savings targets are delivered ahead of the new MTFS, equally, the revised MTFS will seek to build reserves going forward to ensure the sustainability and resilience of the budget.

5.14 During 2019/20 the Council will refresh its Corporate Plan, and this will be underpinned by the new Medium Term Financial Strategy and Capital Strategy / Programme for the period 2020/21 to 2023/24 – further details outlined at 8.5.2.

7.0 CONSULTATION PROCESS

7.1 A full budget consultation exercise on the three year budget options 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 This exercise engaged with **158** stakeholders and generated **114** comments / responses.

7.3 Whilst cuts options for 2017/18 to 2019/20 were approved by full Council in February 2017, residents and stakeholders were given further opportunity to submit comments up to 6th February 2018 through a web based "Budget Conversation".

7.4 Individual proposals will be subject to their own consultation exercises, and decisions will be made by Cabinet, with the option for Overview & Scrutiny to review decisions.

8.0 RISK ASSESSMENT/ROBUSTNESS OF ESTIMATES (s25 Statement)

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 biggest risk currently facing the Council (and the Borough) is recession and uncertainty around leaving the EU / International trade barriers. 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 meets quarterly 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 invest to save developments (Killelea House, and the creation of a second Extra Care Scheme – Peachment Place) that are aimed at reducing costs, managing risks and restructuring care packages.

8.4.4 The Council is implementing the Local Care Organisation from April, and an Investment Agreement will outline the impact for residents in terms of care and acute service. The locality has secured £19 million transformation funding to develop this activity.

8.4.5 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.

8.4.6 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.

8.4.7 Council Tax collection is within the control of the Council, however subject to external / economic risks as outlined at 8.3.1. The budgeted level of "in year" collection in 2019/20 is 97.05%, based on past, current and projected performance. Collection rates will continue to be rigorously monitored, with particular emphasis on these areas and the Council Tax Support scheme. A dedicated team has also been created (at a cost of £120k) to target aged debt, and to date this team has recovered over £700k.

8.4.8 Fees and charges (excluding Council House rents) are budgeted to raise over £50m of income in 2019/20 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.

8.4.9 These risks have been recognised, and the 2019/20 budget assumes no increase in income targets, however individual charges may be increased where appropriate.

8.4.10 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.

8.4.11 It is clear from monitoring that has taken place during 2018/19 that the difficult economic climate continues to have a downward effect on various charging streams such as property services income, car park fees etc. There is provision within the minimum level of balances calculation to reflect this risk.

8.4.12 In terms of general expenditure budgets the single largest area of expenditure is on staff pay. The 2019/20 budgets have been structured in line with the pay award.

8.4.13 An allowance has been built into the budget to contribute to the on-going cost of the national minimum wage in terms of both the Council's pay bill, and the

impact on bought in / commissioned services.

8.4.14 Staff account for a majority the Council's expenditure budget and the next significant areas of budget, in descending order of significance are:

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

8.4.15 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).

8.4.16 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.

8.4.17 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. A provision of 5% of business rates yield 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 November 2018.

8.5.2 For these reasons 2019/20 will be a year transition during which we will both deliver the 2019/20 budget and put in place the corporate infrastructure to produce a rolling three-year medium-term budget plan for 2020 - 2023.

The new corporate infrastructure will include :-

- a refresh of the strategy for the Borough and a Bury Local Industrial Strategy as a single delivery plan for that strategy.
- a Corporate Transformation Plan and new model of public services with a rigorous focus on better outcomes for people and the financial imperatives of reducing demand for reactive services.
- Capital investment in a new ICT Strategy to support the Corporate Transformation Plan and new model of public services.
- a new Corporate Plan and new rolling three year budget plan for 2020 - 23.
- the new rolling three year financial plan will be joined to a new single commissioning strategy across Health and local government via the One Commissioning Organisation.
- a new budget and business planning process with budget and business plans for each Directorate and management action plans for each service within each directorate.
- strengths based performance appraisals for staff linked to the management action plans.
- a new OD and workforce development strategy to increase flexibility and to secure and retain key skills.

  The capability to take this more strategic approach will come from the creation of the new corporate core and the One Commissioning Organisation. It should be noted that some of the savings that have slipped within the current three-year budget are associated with unspecified changes in back office support services. The corporate core / OCO will therefore need to be more effective as well as more affective.

Other more general risks include;

- Savings targets may not be achieved. This risk is mitigated by rigorous financial control / budget monitoring involving Portfolio Holders and Directors ensuring they 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. A greater understanding of directorate budgets and stronger delivery plans will also mitigate this risk.

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

8.5.3 Given the Council's record of performance and the strength of the budget monitoring process these risks are felt to be controlled for 2019/20. 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 Council's External Auditors (KPMG) have commented favourably on the framework. The Governance Statement and the control framework have been regularly reviewed, most recently by the Audit Committee on 20th November 2018, and no major issues have been identified.

8.6.2 Mazars LLP have been appointed as auditors for the 2018/19 financial year.

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 2018/19. 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

And, in light of;

- 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 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
- Slippage on achievement of cuts options
- 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: Budget reflects the implementation of the 2019/20 Pay Award.	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	250
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 overleaf:

	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 2019/20 at **£4.250m** and it is recommended that Members agree to retain the minimum level of balances at this level, 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 2019 is shown in the table below:

	£m
General Fund Balance 31 March 2018 per Accounts	**7.549**
Less : Forecast overspend 2018/19 (month 9) **Add : Reprofiled Savings (2018/19)** **Add : Release of Earmarked Reserves (2019/20)**	**-2.608** **+2.811** **+626**
Forecast level of Reserves	**8.378**
Less : Minimum balances to be retained in 2019/20	-4.250

Forecast Available balances at 1 April 2019	**4.128**

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, and are strongly advised to consider the implications for future years' budgets.

9.9 Members should also note that Earmarked Reserves are subject to regular review.

10.0 Conclusion

10.1 2019/20 is the final year of the 3 year budget, and is particularly challenging given slippage in the delivery of savings plans, and growing service pressures.

10.2 The budget has been balanced through the use of one off resources

10.3 Confidence that savings will be delivered, and slippage recovered is provided by;

- the work of the Budget Recovery Group and the Budget Review Team which have helped to obtain a more robust understanding of savings plans
- all finance staff now report to the s151 Officer
- the finance function of the Clinical Commissioning Group (CCG) now works closely with the Council and has supported this work.
- The Communities & Wellbeing and Children & Young People directorates are now both being supported by CCG functions.

COUNCILLOR EAMONN O'BRIEN

CABINET MEMBER FOR FINANCE & HOUSING

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

Steve Kenyon, Interim Executive Director of Resources & Regulation / s151 Officer
Tel: 0161 253 5002 e-mail: S.Kenyon@bury.gov.uk

APPENDIX 1

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 disclosable, 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.

In respect of the Council's equalities duties, these apply to consideration of the allocation of budget and service planning but as stated, in respect of individual decisions, the overall budget is only at a formative stage. Once full and final decisions are taken, the Council will comply with its full duties via the completion and consideration of the appropriate analyses, including consideration of mitigating steps and alternatives.

In setting the proposed budget, due regard has to be given to only relevant and not irrelevant considerations, including equality, human rights, proportionality, reasonableness, the need to deliver statutory obligations, legitimate expectation and the Council's priorities.

The Council is required to have due regard to the need to eliminate discrimination and promote equality. The Council has a robust system for assessing the equality impact of proposed changes to policies, procedures and practices and this will be applied to any decisions which result from the need to make savings. This will

include decisions such as reorganisations and relocation of service delivery and service transformation.

The Council will ensure that the decisions flowing from this budget are made in a fair, transparent and accountable way, considering the needs and the rights of different members of the community and its workforce. This will take place in detail in each of the specific programmes set up to deliver the savings.

The Council will also have to have due regard to the potential for any cumulative impact on some groups from separate work streams arising from the budget. Sufficient flexibility and delegation will be built into each programme that arises from this budget to ensure that any detailed consultation requirements and equality impact that identifies a need to make adjustments to remove barriers identified or to better promote equality, can be implemented.

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 Government guidance was issued which says that as Council tax liability applies to the generality of the population; councillors have no unique position in that regard.

Being a council taxpayer or being eligible for a discount under the new local arrangements for council tax support **are not disclosable pecuniary interests** as specified in the regulations.

(Therefore a **councillor does not need to seek a dispensation** in order to participate in discussions or vote on decisions in the council tax setting process or local arrangements for council tax support)

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 2

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 retained 100% under the pilot operating within Greater Manchester.

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.

APPENDIX 3

Summary of Savings to be delivered 2019/20

	£'000
2019/20 Savings Target	11,898
Add Backlog of undelivered savings (Yrs 1 & 2)	5,040
Less Additional Resources Identified (CWB)	(4,334)
Less Slippage to 2020/21	(4,596)
Delivery Target for Year	**8,008**

To be delivered 2019/20;

Saving	£'000
RESOURCES & REGULATION	
Pay Services – income generation	50
Insurances	200
Debt Collection	100
Undertaking legal work in house in respect of insurance claims	200
Review of Finance Structures	200
Review of Financial Assessments / Income Collection	300
Telephony Contract savings	100
Data Management / Storage Costs	200
Reconfiguration of Security Service	150
Review of discretionary budgets	281
TOTAL FOR DELIVERY 2019/20	**1,781**

CHILDREN & YOUNG PEOPLE	
Reduced Pension Liabilities	150
Business Support Functions	68
Traded Services Finance / HR	120
Early Years / Early Help / Service Reviews / Transformation	2,221
Asset Management, inc Libraries	90

Procurement Contract reviews	150
TOTAL FOR DELIVERY 2019/20	**2,799**

OPERATIONS	
Maximising the using of capital to fund all allowable highway maintenance activity, some of which has previously be funded from revenue budgets.	600
Car Parking	200
TOTAL FOR DELIVERY 2019/20	**800**

BUSINESS, GROWTH & INFRASTRUCTURE	
Facilities Management Review	50
Office Accommodation Review	288
TOTAL FOR DELIVERY 2019/20	**338**

COMMUNITIES & WELLBEING	
Public Health	890
Social care review of lower cost packages	1,000
Medication visits through care at home	400
TOTAL FOR DELIVERY 2019/20	**2,290**

GRAND TOTAL	**8,008**

Supporting narrative for these measures is included in the Directorate Budget reports which accompany this report.

REPORT FOR DECISION

Bury COUNCIL

DECISION OF:	**The Cabinet**
DATE:	**20th February 2019**
SUBJECT:	**Growth and Infrastructure Directorate Budget 2019/20**
REPORT FROM:	**Cllr Rishi Shori – Leader of the Council and Portfolio Holder for Growth and Regeneration**
CONTACT OFFICER:	**Paul Patterson, Executive Director Growth and Infrastructure**
TYPE OF DECISION:	**CABINET**
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain.
SUMMARY:	This report forms part of a suite of reports to support the Council in setting a budget for 2019/20. The report explains the progress made by the Growth and Infrastructure Directorate in delivery of budget savings for 2017/18 and 2018/19 – the first 2 years of the Council's current 3 year budget. The report also sets out the proposals for savings for 2019/20 – the final year of the 3 year budget. These changes are included in the overall budget report which appears elsewhere on this agenda.
OPTIONS & RECOMMENDED OPTION	That the proposals for changes to the Growth and Infrastructure Directorate budget for 2019/20 be approved.

IMPLICATIONS:	
Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? Yes
Health and Safety	Proposals will be implemented in line with health and Safety guidance.

Statement by the S151 Officer: Financial Implications and Risk Considerations	The proposed savings represent the final year (2019/20) of the 3 year budget programme. Delivery is essential to ensure a balanced budget position for the council.
Equality/Diversity implications:	In respect of the Council's equalities duties, these apply to consideration of the allocation of budget and service planning. In respect individual decisions, the overall budget is only at formative stage. Once full and final decisions are taken, the Council will comply with its full duties via the completion and consideration of the appropriate analysis, including consideration of the mitigating steps and alternatives.
Considered by Monitoring Officer:	In summary, the Council is required to set a council tax and balanced budget on recommendation from Cabinet. The Cabinet have full authority to implement the budget within the budget framework set by Council and they have wide discretion in doing so. Whilst the overall budget sets individual budgets and plans for service areas, these are formative only at this stage. Full and final decisions will be made by the Cabinet (or officers under delegated powers) during the forthcoming year, at which point full and separate consideration to the Council's duties, including but not limited to, equalities and public consultation, will be considered and finalised. In respect of the Council's equalities duties, these apply to consideration of the allocation of budget and service planning but as stated, in respect of individual decisions, the overall budget is only at a formative stage. Once full and final decisions are taken, the Council will comply with its full duties via the completion and consideration of the appropriate analyses, including consideration of mitigating steps and alternatives. In setting the proposed budget, due regard has to be given to relevant considerations including equality, human rights, proportionality, reasonableness, the need to deliver statutory obligations, legitimate expectation and the Council's priorities. The Council is required to have due regard to the need to eliminate discrimination and promote equality. The Council has a robust system for assessing the equality impact of proposed changes to policies, procedures and practices and this will be applied to any decisions which result from the need to make

	savings. This will include decisions such as reorganisations and relocation of service delivery and service transformation or reduction. The Council will ensure that the decisions flowing from this budget are made in a fair, transparent and accountable way, considering the needs and the rights of different members of the community and its workforce. This will take place in detail in each of the specific programmes set up to deliver the savings. The Council will also have to have due regard to the potential for any cumulative impact on some groups from separate work streams arising from the budget. Sufficient flexibility and delegation will be built into each programme that arises from this budget to ensure that any detailed equality impact that identifies a need to make adjustments to remove barriers identified or to better promote equality, can be implemented.
Wards Affected:	All
Scrutiny Interest:	Overview and Scrutiny.

TRACKING/PROCESS **DIRECTOR:**

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	20/2/19		
Scrutiny Committee	Committee	Council	

1.0 BACKGROUND

The Council's budget for 2017-20 includes proposals for budget reduction in the Directorate. This report explains progress in delivering those savings and sets out proposals for the final year of the 3 year budget.

The budget proposals are designed to support or have the least negative impact on the Directorate delivering the Council's objectives.

This is a newly formed Directorate formally established in December 2018. It commenced with bringing together functions from Communities and Wellbeing

and Resource and Regulation functions more aligned to growth, to shift towards Council investment activity.

This report should be read as the start of the Councils move into growth in recognising Local Government new operating environments. An operating environment that requires Councils to intervene in placemaking to stimulate economic growth and wealth creation. It's recognising the Council and Directorate will need to operate more commercially. It will be led by a major transformation programme and organisational development taking place in 2019, next to commencing delivery of key projects stated in this report.

The report should be read alongside the four other Directorate reports and the overall corporate budget report.

2.0 THE GROWTH AND INFRASTRUCTURE DIRECTORATE

The Directorate budget is summarised below;

Business, Growth & Infrastructure	**2018/19 Budget £'000**
Staffing	4,398
Other	7,645
Gross Expenditure	12,043
Income	(15,827)
Net Expenditure	**(3,784)**

Workforce

The staff within the Directorate are employed as follows;

Urban Renewal	**13**
Property & Asset Management	**31**
Architects	**30**
Building Control	**12**
Development Management	**13**
SPED	**17**
Total	**116**

Growth Plan

In 2018 the Council published its Growth Plan. This led to the development of an initial commercially led private sector strategic business plan. It details delivery plans in strategic terms on key growth priorities centred on placemaking, as an interventionist enabling and facilitating economic growth.

This strategy will be developed further in 2019/20, to inform an inclusive approach to economic growth across Bury. This will unfold how the growth strategy will interface placemaking with people, life chances from educational to strategic economic and industrial strategy growth. It will be a centre piece to a pathway of sustainable economic prosperity, and close working with the Greater Manchester Authority and key business stakeholders.

Strategic response

In initiating growth and moving towards a commercial business-like approach the Directorate has set out its strategic enabling and approach to delivery of placemaking growth.

Therefore, the strategic response takes three forms to support growth and the future sustainability of the Council:

- The Growth Directorate task is to intervene in placemaking that stimulates economic growth and abstracts value to drive:
    - invest to save and invest to earn investment activity
- Adopt Council service transformation to manage budget reduction targets and create the skill capability to deliver growth, maturing over the next 5 years
- Operate in the form of a master developer to lever value to deliver invest to save and invest to earn financial outcomes

In achieving these strategic aims the Directorate will adopt a more commercial approach to service delivery. The set of values are based on commercial acumen, will evolve working with the appointed Executive Director for Transformation, as part of the Councils organisational and culture design.

Values

- Open and accountable working.
- A willingness to challenge and innovate.
- Growth that delivers life style choices in our towns & urban centres while creating employment, wealth and wellbeing places for the people of Bury.
- Adopt commercial acumen practices
- Leadership evolving empowerment
- A focus on a solution based Council as an enabler and facilitator
- Partnership at the heart of working practices
- Fleet of foot procurement practices
- Financial robustness and risk underwriting at the heart of commercial acumen
- Create growth to deliver the Manifesto 2018 -2022

Functionality

The newly formed Directorate is evolving and comprises of services that enables and supports growth of Bury's economy, place, wellbeing and housing provision.

The Directorate services includes:

- Economic regeneration of town centres and industrial provision
- Wellbeing placemaking and Housing supply including the strategic direction of the Council's Six Town Housing Company

It includes Council core services providing:

- Planning and building control services
- Urban renewal
- Local business enterprise support
- Architectural and Estates services
- Urban planning and infrastructure development policy setting

In 2019, new functions will be established as part of the transformation programme. This will be to enable growth and provide the Council with the capability and expertise in:

- Housing and wellbeing
- Regeneration and capital growth
- Investment and funding management
- Strategic land and development planning

These growth and enabling core services empower the Council to meet its statutory obligations associated with:

- Local planning guidance and planning application submissions, including setting local planning guidance documentation
- Housing policy setting and supporting Bury's housing needs
- Building control statutory obligations ensuring structural integrity of building structures

3.0 CONTRIBUTION TO COUNCIL PRIORITIES

The Growth and Infrastructure Directorate takes charge of the Council's ambitions for Growth and sourcing new income streams to enable the council in the future, become less reliant on central Government income.

This includes delivery of the Council's priorities linked to Bury means business, safe and affordable housing interlinked with the contribution detailed.

Its purpose is to operate as an interventionist targeting economic growth through placemaking and economic engagement with the private sector, Greater Manchester Authority and key Government Stakeholders.

There are key growth priorities for Bury that are linked to GMSF; the need for a new housing strategy including development of brownfield sites; affordable housing for young people attracted to Bury and specialist housing for older people; the Northern Gateway and other key industrial and commercial sites

and the development of the six town centres.

The Council is working with the Greater Manchester Authority and has targeted a series of key placemaking regeneration and housing investment projects. These are aimed at generating future income over the next 5 years. Linked to engineering new business rates and council tax income. These are:

- Prestwich – major regeneration of the town centre under the GM Mayoral Town Centre Challenge.
- Bury Town Centre master planning and redevelopment of the Interchange in partnership with TfGM.
- Knowsley place incubator live work/possible Bolton University site and Town Hall redevelopment.
- Radcliffe Paper mill new housing development in partnership with Homes England, accelerating housing delivery.
- Mater planning of Bury Town Centre interchange inclusive of Police Station/Fire Station sites of mixed-use developments.
- Packaging Council brownfield land supply to kick start a Council house building programme 200 -300 new homes on brownfield sites in 2019.
- Radcliffe regeneration targeting housing growth as a catalyst for town centre regeneration.
- Northern Gateway – preparing the master planning for infrastructure and negotiation with developer partnerships, to position the Council as a major strategic developer partner; inclusive partnership working with TFGM.

It includes working to ensure Bury is the place for business developing its inclusive growth focused on the people and business side of placemaking. This is linked to educational development, business growth, new industries and wealth creation through partnership engagement.

4.0 THREE YEAR BUDGET 2017-20

The original 3 year savings plan included a total of £2.075m savings to be achieved between 2017/18 -2019/20 broken down as illustrated in the table.

Specific Theme	Ref	Original Budget Consultation Theme	Proposal	Total Saving Target	2017/18 Target £'000	2018/19 Target £'000	2019/20 Target £'000
Localities	RR21	Collaborative Working	Shared Building Control Service - GM wide / cluster	50	50	0	0
Property & Asset Management	RR22	Facilities Management	Consolidate facilities management resources to create a more coherent and efficient service	150	50	100	0
Property & Asset Management	RR23	Treasury Management	Property Investment Strategy	600	200	200	200
Administrative Buildings	RR33	Rationalisation of Council Property	Rationalise estate further - focus on Town Hall & 3KP footprint	500	0	250	250

Administrative Buildings	RR34	Facilities Management	Consolidate facilities management resources to create a more coherent and efficient service	150	50	100	0
Architects	RR35	Facilities Management	Consolidate facilities management resources to create a more coherent and efficient service	300	100	100	100
Architects	RR36	Collaborative Working	Joint working - Project Management with Capital / Technical team of Six Town Housing	150	50	100	0
Urban Renewal	CWB14	Operational Structure	Asylum, complex dependency and housing amalgamate; review staffing structures for all housing related services including Urban Renewal. Maximise use of external funding to support delivery	175	0	100	75
			Totals	**2,075**	**500**	**950**	**625**

Delivery to date over the period of the three year budget is summarised in the table below.

Incorporated into the budget is a one-off Support of (1,435) from reserves, for the period 2019/20.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Budget Target	**500**	**950**	**625**	**2,075**
b/f	0	250	1,148	
	500	**1,200**	**1,773**	
Delivered	(250)	(52)		
c/f	**250**	**1,148**		
One-off support in 2019/20			(1,435)	
Delivery target for year			**338**	

Saving not being delivered - For Period 2019/20

Savings totalling **£937k** will be delayed in the period of the three year budget, as illustrated in the table. This is related to FM, urban renewal and office accommodation in the table.

FM Review	550	There is currently work ongoing to consolidate the disparate nature of the Facilities Management service with a view to releasing efficiencies of scale in creating a single leadership which will lever negotiations around the significant utility, repairs and maintenance, and general costs for buildings.
Urban Renewal Restructure	175	Pending implementation of housing review
Office Accommodation	212	A further £0.212m savings due to rationalisation of administration buildings is expected as work is ongoing to reduce the number of buildings currently occupied.
	937	

Savings not delivered - For Period 2020/23

In the period for 2020/23 **£498k** will not be achieved at all, related to review of architects and investment properties.

The turnaround strategies for both these savings are further detailed.

Review of Architects	150	Delayed pending review of architects
Investment Properties	348	Rental income from the Council's commercial property portfolio that are not sustainable against predicated market rates.
	498	

The turnaround strategy

The Directorate has put in place a stringent turnaround strategy. This we be performance managed through a designated Directorate working group, working from a concise delivery project plan. It will be monitored on a fortnightly basis to ensure plans are meeting targets set for savings to be achieved as illustrated in the above table.

This turnaround strategy will need to be delivered through significant key transformational programmes linked to Council services and growth ambitions. This is outlined in section 5.3 and sub heading under pressures facing the Directorate. In summary these will be delivered:

- **FM delivery savings** – Sat within architects and estates teams this will be instigated across all directorates as a corporate review of all FM functions within the Council. Moving it to a single leadership charged with securing innovation and efficiency saving to reduce the Council annual budget.
- **Office accommodation/rationalisation** - A project team will be set up with external expertise brought in to drive the office moves and coordinate across Children's and Finance teams, to achieve the budget savings.
- **Urban Renewal Restructure –** Work is underway following the Savills review of Six Town Housing. This will see the team moving into Six Town targeted at this resource cost being reviewed, with Six Town management income efficiencies.

The table shows the budget savings targeted within the 2019/20 of £338k, to be manage through the turnaround strategy set out above. The Directorate will also look at ways as it progresses to accelerate and increase the overall budgets savings within the period.

Saving	£'000	Approach
FM Review	50	£50k will be saved in 2019/20 as the FM review commences.
Office Accommodation Review	288	£288k will be delivered in respect of this review within the period of the 3 year budget.
TOTAL FOR DELIVERY 2019/20	**338**	

In the period leading to 2020/23, of the £498k, work will be undertaken to manifest savings related to the review of architects. This will be conducted as follows:

- **Review of Architects** – A full review of the service provided by architects under way. This strategy is focused on delivering savings through:
    - Retirement and natural wastage resource cost;
    - upskilling to increase capacity and capability to deliver growth as a master developer, along with the estates team.

Pressures

In addition to one-off support for the slippage outlined above of (1,435), corporate resources are to be used to cover historic deficits in the budget in respect of Commercial / Investment Property Income – totalling **£1.281m**. This request has been factored into the Corporate Budget Report.

5.0 BUDGET PROPOSALS 2019/20

5.1 Description of proposals

The Directorate is undertaking major transformational change across all areas of its service provision. The budget pressures and corporate savings table in section 4.0 including the proposed budget, illustrates there is significant transformational change required to meet the budget savings. Transformational along with growth delivery plans will be developed in 2019/20.

This budget proposal is associated with current Council service provision transferred to the newly formed Directorate.

Therefore to deliver growth, the Directorate will need to be funded through the provision of a newly formed investment revenue account. This account is to support the revenue cost of servicing growth activity. It includes support and funding for restructuring and brining new capability to the Directorate, as it forms a new structures to increase capacity to deliver growth.

5.2 Capital Investment

A capital investment requirement has been identified to support the growth priorities.

The activity supported by this investment is set out below. The purpose of the investment is to enable the Council to take an interventionist approach that drives and incentivises private sector economic growth, alongside Council investment activity. Targeted in wealth creation and increasing the value of Council investment in planning and development of places. The strategic objectives is to increase the Council's income from council rates and council tax, while securing income from activity that delivers invest to save and invest to earn placemaking.

The investment revenue support and capital investment will concentrate in these specific key areas of growth activity and service delivery:

Economic place shaping - and business like culture

- Shifting the Councils culture towards a commercial enabling and facilitation role as a strategic place shaping master developer
- Adoption of a planning and development role -priming places for economic and housing growth, forming strategic delivery partnerships with the private sector
- Shifting culture into a commercial business development approach - not waiting for growth to happen but making it happen through driving innovative solutions in the physical land, place and capital funding options
- Review of the architect's department and estates teams to identity capacity requirements and transformation towards growth and commercial estates management
- Forming while retaining existing income streams in architects and creating resource efficiencies to establish the new Growth Directorate; resourcing for the much needed commercial capability and capacity

Investment capacity - master developer

This is to enable the Council become commercially efficient in income generation by:

- Formulating a development company to masterplan land, develop new build housing, regenerate town centres and prepare its expertise to take a major

development role in the Northern Gateway, through a strategic partnership with contractor developers; to generate council returns
- Establishing a Council investment fund and HRA strategy to provide the capital to develop and create long term income from economic regeneration and enable building of new homes

Council house building
Following the Savills review and to strategically plan for housing growth the objective is to:

- Prepare Six Town Housing for major housing management business growth as the Councils Housing Management Business
- Create the skills to manage mixed tenure housing portfolios, taking a broader neighbourhood management role. This is following the Savills Review coinciding with 50 Council staff plus transferring over to Six Town, to join up the housing operational split between the Council and Six Town
- Develop a HRA investment strategy to support delivery of up to 4,000 new homes ranging from affordable and for middle market sale.

Pressures faced within the Directorate

In addition to budget pressures and corporate savings, the Directorate has a number of significant pressures in delivery financial planning and investment capacity. Solutions will be developed as part of the work being undertaken with corporate financial advisory Grant Thornton, in establishing investment capacity and commercial investment criteria frameworks.

In addition, the Directorate has pressures associated with operational and transformational activity, while recognising the opportunities for growth as illustrated in the summary table.

Growth Threats and Opportunities	
Challenges	**opportunities**
• *Insufficient lack of structured investment management to support the Bury growth delivery plan* • *Significant shortfall in capability and capacity from a continued loss of talent from the council resources* • *Changing operating model of councils and the need to operate more commercially, further adds to the current shortfall of capability and capacity to operate in the new Local Government Environment* • *Town centres at risk of decline due to the decline of retail in its townships* • *No budget for resourcing growth* • *Lack of commercial housing and regeneration skills which is seeing major schemes such as the former*	• The Borough of Bury is strategically well placed to attract investment to support growth by the Council • Significant needs for new homes to be built across the Borough • Northern Gateway provides the opportunity to attract major economic growth and bring high earning job prospects • Council has Six Town Housing were significant growth can be channeled to generate new income • Council can raise capital at low borrowing rates to support growth • New rules on HRA revenue means the council can significantly increase its ambitions to build new

papermill housing site and town centre regeneration making limited progress	affordable homes

These pressures will be managed and monitored through effective weekly management meetings measured against performance management targets, agreed with service managers.

5.3 Implications for 2020/21

The implications for the Directorate working towards 2020/21, next to the budget reduction programme for the Medium Term Financial Plan (MTFP), will be putting in place effective growth delivery. It will require financial planning to predict income generation from capital investment. This is recognising the Council's pressure on sustaining balanced revenue budgets into 2020/21, will require robust commercial strategic financial planning and forecasting.

This type of strategic financial planning will see the Directorate develop a Profit and Loss 30-Year financial business planning model used in the private sector to robustly manage the Council's capital investment activity and decision making. As set out further in the report the Directorate will recruit commercial expertise in commercial investment and fund management to ensure skills and capability are secured in 2019.

The directorate during the period leading up to 2020/21 will put in place appropriate investment management monitoring as part of Directorate growth activity, measure against such issues as the implication ion market conditions resulting Brexit and town centre changing patterns of economic activity associated with retail sector.

5.5 HRA and funding partners

A critical success factor to growth will be the ring fencing of the HRA borrowing for house building to generate new income streams and build major surpluses in the medium financial term. Failure to adopt this form of strategic financial planning will place a major barrier for the Directorate to succeed in delivering major place making growth. It will also be a major factor in securing a funder partner to enable the council to deliver its growth commitments as outlined in this report.

5.6 Workforce implications

The table illustrates the staff numbers working within the Directorate. As the transformational programme unfolds and organisational design of the Directorate formulates into 2019/20 to deliver growth, staff numbers will fluctuate.

6 Workforce delivery of services and priorities

The new Directorate will introduce new functions in 2019/20 along with transformational programming in core service provision. These include:

Housing Growth and Wellbeing: this function will be enable the Council to build new homes targeting the growth of the Council's ALMO Six Housing, to generate new revenue income, supply new homes across the Borough.

Regeneration and Capital Growth: this is to enable the council to intervene in town centre regeneration preventing further decline in town centres. It includes creating the capacity for the Councils Northern Gateway priorities to create a new industrial centre.

Investment and HRA Fund Management: creating the capacity in the Council to financially plan its investment activity and strategically manage HRA investment linked to housing growth. The objective will be to enable the Council to form new investment partnerships with funders to support the Council's growth priorities.

Strategic land and development planning: enabling the council to forward plan land assembly and estate rationalisation, while introducing a customer led planning service. This is following a recent review of how the service can future growth.

The Directorate existing cores services comprise of the following service areas:

Planning and Building Control Services: provide planning services to private developers and domestic planning applications measured against Government planning policy guidance. This includes infrastructure planning such as new road networks etc. While building control provides a service to ensure construction and alternations of buildings meet the statutory structure integrity and safety standards set by Government.

Urban Renewal: provides housing support services. This ranges from provision for adaptions to existing homes to support people with disabilities, managing and setting standards in the private rented sector, to setting housing need supply across the borough of Bury.

Local Business Enterprise Support: the Council in supporting and driving the local economy undertakes engagement with local business and associated growth to support businesses to flourish in the Bury economy.

Architectural and Estates Services: both these divisions generate income from architectural services delivering extensions to educational establishments to estate services managing the Councils commercial property portfolio and Bury Market. The estates team also manages the Councils office accommodation buildings.

ALMO –Six Town Housing: through a recent review of housing services, the Directorate in 2019 will be strategically leading the Council's ALMO in support of housing growth. The service will be focused on increasing the neighbourhood housing management services to support growth.

7.0 Investments

The required capital programme investment is described in section 5.2. It details the areas of growth activity the capital investment will support into 2019/20. This programme of capital investment is reported in the capital programme budget report prepared by the Section 151 Officer.

There will be a capital programme investment criteria framework developed in 2019/20 set out a gateway process setting out business cases for each investment being proposed.

8.0 CONCLUSION

The Directorate faces significant challenges in 2019/20. These are centred in meeting budget pressures and corporate savings identified up to 2019/20, and moving the Council into income generating growth.

Any additional target budget savings will have significant impact on the Directorates ability to delivery on growth. This will be from diverting priorities on growth in concentrating limited resources in securing resource reductions to meet any future budget cuts. The significant transformation programme to deliver savings and creates skills and capcicity to delivery growth will need to link to corporate transformational plans associated with legal support and budget management.

The challenges for growth will be putting in place innovation around setting up a development company and securing other forms of capital funding through partnering with the private sector. The proposed company and structures around setting up Joint Venture for each place making growth activity, will enable the council to increase and de-risk its placemaking activity while attracting investment option from other sources.

This report illustrates the limited capcicity of the Council to divert revenue and capital expenditure into growth. It demonstrates the significant importance of ring fencing the HRA revenue account over the next 5 years, to support house building, as means to increase new revenue streams and sustain the Council's housing stock.

This has been evidenced by the Savills report on the HRA Business Plan modelling results. The report records significant surplus growth would be achieved through investing HRA capacity into building new homes, over the next 5-10 years. This in the medium to long term would increase significant house building and support to the general fund.

The monitoring against the budget proposals, capital and HRA investment will delivered through adoption of commercial financial management practices, to be developed in 2019/20.

List of Background Papers:-

Contact Details:-

[Report Author]

REPORT FOR DECISION

Bury COUNCIL

DECISION OF:	**The Cabinet**
DATE:	**20th February 2019**
SUBJECT:	**Communities & Wellbeing Directorate Budget 2019/20**
REPORT FROM:	**COUNCILLOR ANDREA SIMPSON**
CONTACT OFFICER:	**JULIE GONDA, INTERIM EXECUTIVE DIRECTOR COMMUNITIES & WELLBEING**
TYPE OF DECISION:	**CABINET**
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain.
SUMMARY:	This report forms part of a suite of reports to support the Council in setting a budget for 2019/20. The report explains the progress made by the Communities & Wellbeing Directorate in delivering its budget savings for 2017/18 and 2018/19 – the first 2 years of the Council's current 3 year budget. The report also sets out the proposals for savings for 2019/20 – the final year of the 3 year budget. These changes are included in the overall budget report which appears elsewhere on this agenda.
OPTIONS & RECOMMENDED OPTION	That the proposals for changes to the Communities & Wellbeing Directorate budget for 2019/20 be approved and recommended to Council as part of the overall Corporate Budget.

IMPLICATIONS:	
Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? Yes
Statement by the S151 Officer:	

Financial Implications and Risk Considerations:	The proposed savings represent the final year (2019/20) of the 3 year budget programme. Delivery is essential to ensure a balanced budget position for the Council.
Health and Safety	Proposals will be implemented in line with Health & Safety guidance
Statement by Executive Director of Resources:	Proposals with staffing implications will be implemented in accordance with the relevant consultation / HR polices.
Equality/Diversity implications:	In respect of the Council's equalities duties, these apply to consideration of the allocation of budget and service planning. In respect of individual decisions, the overall budget is only at a formative stage. Once full and final decisions are taken, the Council will comply with its full duties via the completion and consideration of the appropriate analyses, including consideration of mitigating steps and alternatives.
Considered by Monitoring Officer:	In summary, the Council is required to set a council tax and balanced budget on recommendations from Cabinet. The Cabinet have full authority to implement the budget within the budget framework set by Council and have wide discretion in doing so. Whilst the overall budget sets individual budgets and plans for service areas, these are formative at this stage. Any full and final decisions will be made by the Cabinet or officers under delegated powers during the forthcoming year, at which point full and separate consideration to the Council's duties, including but not limited to, equalities and public consultation, will be considered and finalised. In setting the proposed budget and considering proposals for savings, due regard has to be given to relevant considerations including equality, human rights, proportionality, reasonableness, the need to deliver statutory obligations, legitimate expectation and the Council's priorities. The Cabinet will also have to have due regard to the potential for any cumulative impact on some groups from separate work streams arising from the budget. Sufficient

	flexibility and delegation will be built into each programme that arises from this budget, to ensure that any consultation exercise and detailed equality impact that identifies a need to make adjustments can be implemented.
Wards Affected:	All
Scrutiny Interest:	Overview & Scrutiny

TRACKING/PROCESS **DIRECTOR: Julie Gonda**

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	20/2/19		
Scrutiny Committee	Committee	Council	

1.0 BACKGROUND

The Council's budget for 2017-20 includes proposals for budget reduction of the Communities & Wellbeing directorate.

This report explains progress in delivering those savings and sets out proposals for the final year of the 3 year budget.

The budget changes are designed to support or have the least negative impact on the directorate delivering the Council's objectives.

This report should be read alongside the other four Directorate reports and the overall corporate budget report.

2.0 THE COMMUNITIES & WELLBEING DIRECTORATE

2.1 The directorate of Communities & Wellbeing discharges the Council's statutory duties in respect of adult social care, public health, environmental health and currently housing functions. In addition, it leads on the strategic approach to a number of wellbeing services, including leisure and lifestyle services, as well as community engagement services, all of which underpin the Council's approach to creating resilient and self-supporting communities and promoting the health and wellbeing of Bury people.

2.2 To set the savings target into context, the resources of the directorate, both financial and workforce, are broken down into the following areas :

Communities & Wellbeing	**2018/19 Budget £'000**
Staffing	25,154
Other – commissioned care in the community services, premises costs,	97,748
Gross Expenditure	122,902
Income	(53,062)
Net Expenditure	**69,840**

Communities and Wellbeing Division	**Current Budget £000**	**Workforce Numbers (FTE)**
Housing Related Services	1,036	50
Care In The Community (commissioned care packages)	30,578	0
Commissioning & Procurement Other Services	16,117	48
Finance, Customer Services and Asset Management	4,110	36
ASC Operations	4,571	270
Public Health	9,984	26
Workforce Modernisation & Adult Education	657	45
Civic Venues	165	33
Environment	498	19
Communities	948	18
Parks/Countryside	166	7
Sports and Leisure	1,010	74
Total	**69,840**	**626**

3.0 CONTRIBUTION TO COUNCIL PRIORITIES

3.1 The majority of services within the directorate are focussed on supporting vulnerable adults within Bury, and leading creative initiatives to support people to look after their own health and wellbeing better. This includes encouraging community activity and working with the voluntary community and faith sector in a more proactive and co-ordinated way.

3.2 Adult social care, which constitutes the majority of the directorate's services, is one of the main partners for health and social care integration, and is a key partner within the Local Care Organisation (LCO) in terms of health and social care service delivery and the One Commissioning Organisation (OCO) in terms

of strategic commissioning of health and care services for the people of Bury. The main objective of the LCO is to provide effective community based services to help people to help themselves to good health and wellbeing and avoid having to go into hospital and residential care. In particular, social care staff are a fundamental part of the five Integrated Neighbourhood Teams which will be operational from 1 April 2019, working jointly with GP practices and community health services. The LCO will bring all NHS and Local Authority spend together into a single commissioning body.

3.3 Public Health also sits within the directorate, and promotes and protects the health of people in their own communities, with a real focus on preventing people from becoming ill in the first place. In Bury, there is a significant difference in how long people live a healthy life before they become ill depending on where they live. Reducing this difference across the borough is one of the Council's key priorities.

3.4 The directorate delivers Leisure Services and commissions Parks and green spaces add to the health and wellbeing of Bury people through physical activity and creating a positive environment for people to live in, contributing effectively to Bury as a great place to live and work.

3.5 Housing operational services currently sit within the directorate – though this is planned to be delivered through the Council's Arm's Length Management Organisation (ALMO), Six Town Housing, in future.

4.0 THREE YEAR BUDGET 2017-20

4.1 The savings target for Communities & Wellbeing was originally set at just under £17m for the three year period 2017/18 to 2019/20. However, with the creation of two new directorates, Operations and Growth & Infrastructure, savings were reallocated as follows:

Total 3 year savings	**£000**
Communities & Wellbeing	£13,935
Operations	£2,785
Business Growth & Infrastructure	£175
Total	**£16,895**

4.2 Of the £13.9m remaining with Communities & Wellbeing, it is allocated as follows across different service areas during the 3 years:

CWB Service Area	**2017/18**	**2018/19**	**2019/20**	**Total**
Adult Social Care	£2,318,000	£4,000,000	£5,385,000	**£11,703,000**
Public health - including Regulatory Review	£600,000	£882,000	£0	**£1,482,000**
Communities & Neighbourhoods	£260,000	£315,000	£0	**£575,000**
Housing related services	£175,000	£0	£0	**£175,000**
Total	**£3,353,000**	**£5,197,000**	**£5,385,000**	**£13,935,000**

4.3 To date, £5.750m of the savings target has been / will be achieved, through a number of initiatives including:

- Reduction in residential care placements for social care

- Review of high cost care packages, ensuring there is no duplication of service
- Strength based approach to social care assessment and delivery, using community assets to support vulnerable people
- Additional funding allocations through Improved Better Care Fund.

4.4 In addition, £1.205m of schemes are already in train regarding the year 3 (2019/20) savings target. This is £4.180m lower than the year 3 savings target.

4.5 A further £6.624m savings and mitigations have been identified to address:

- £2.800m unachieved savings from years 1 and 2
- £4.180m shortfall vs year 3 savings target
- £1.900m other pressures (demand, etc.)

The table shows that this leaves CWB with a gap of £2.3m in 2019/20 to be funded from central reserves. The three year position is summarised below. The pressures and savings are discussed in more detail in section 5, below.

Communities & Wellbeing	**£'000**	**£'000**
Original Savings Target		
Year 1 2017/18	3,353	
Year 2 2018/19	5,197	
Year 3 2019/20	5,385	
Original savings target total for 3 years		**13,935**
Savings delivered within years 1 & 2		**(5,750)**
Savings plans already in place vs year 3	(1,205)	
New savings plans / mitigations in year 3 *(note 1)*	(6,624)	
Total planned savings/mitigation year 3		**(7,829)**
Recurrent pressures b/f from 2018/19		400
Slippage		**756**
Pressures		**1,500**
Total 19/20 outstanding gap		**2,256**

Note 1: this includes £2.800m of unachieved savings from years 1 and 2

5.0 BUDGET PROPOSALS 2019/20

5.1 Overall proposals

The strategy for change within CWB is to refocus on helping people to help themselves wherever possible – a 'strength or asset based' approach to both delivering services and preventing people from needing formal public services. A training programme with focus on behaviour change of both staff and customers will be implemented over the next 12 months, in partnership with LCO colleagues. Change in behaviour and attitude to a less risk averse approach will support and facilitate the shift towards self-help and community based support. Front line staff are those who come into most contact with the

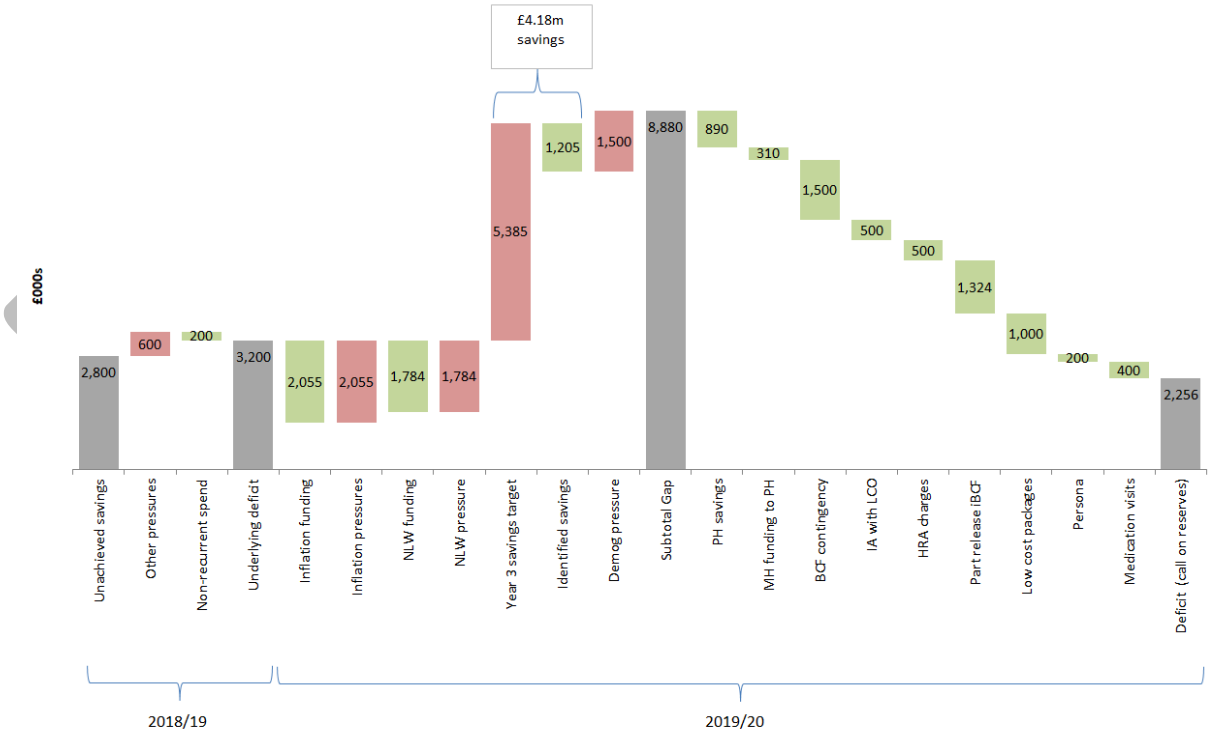
customers, and must therefore be encouraged, developed and given permission to have the different conversations needed. This includes staff from all services within Communities & Wellbeing.

Wider integration, playing a full part in transformation which should reduce duplication of public services, ensures that people receive a holistic approach and deliver financial efficiencies. The social care assessment workforce will be operating within the LCO within the Integrated Neighbourhood Teams to underpin the holistic approach to meeting people's needs.

In addition, where some services are considered 'universal' or for the whole population, a more targeted approach will have to be delivered, to ensure resources are deployed where they are most needed, but that will still make the biggest difference for Bury people who are most in need.

5.2 Detailed Proposals for 2019/20

The waterfall diagram below shows the CWB Directorate's one year position 2019/20. It summarises how the CWB Directorate's £8.880m opening financial gap is made up and the plans in place for closing that gap to £2.256m (to be bridged for 1 year from central reserves).



The savings target for 2019/20 is £5.385m, of which £1.205m of schemes are in train, leaving an opening savings shortfall of £4.180m. This, coupled with an underlying deficit of £3.200m and an estimated annual demand pressure of £1.500m equates an opening gap of £8.880m.

The main pressures within the directorate are related to the demand for social care services, within the context of challenging savings targets across the board.

Demographic pressures, with Bury's older population growing at a slightly higher rate than the rest of Greater Manchester, coupled with increasing complexity of need for growing numbers of customers, creates demand pressures of approximately £1.500m per annum, which are being managed within the overall approach outlined in the diagram above.

Inflationary pressures, capped at 2%, and funding needed to ensure that commissioned services can meet their obligations in respect of the national living wage will be met corporately as part of the budget setting process.

It is proposed that the gap of £8.880m is met by the following range of options:

Public Health £0.890m

The Public Health budget will draw down £1.735m of balance sheet reserves in 2018/19, of which c£1.200m is being used to fund *recurrent* expenditure – this represents an underlying deficit in the Public Health budget (which, in turn, is part of the CWB underlying deficit).

That £1.200m deficit, after additional funding of £0.310m from the CCG outlined below, will stand at £0.890m. This will be addressed largely through savings plans as follows:

	£000s
Health Visiting redesign / renegotiation	400
Health Checks redesign	50
Decommission "R U Clear" service	50
PASH partial decommission	5
Substance misuse redesign	50
Decommission Stop Smoking Advice & NRT service	43
BEATS, Healthy Lifestyle & Nutrition restructure	100
Back office restructure	100
Stretch target	92
TOTAL	**890**

Additional funding into the directorate £4.334m

In 2019/20, additional income will be used to mitigate the funding gap. These include:

- Agreement with Bury CCG to use £0.310m of mental health and learning disabilities funding towards relevant elements of public health commissioned services (e.g. School Nursing, Health Visitors, Substance Misuse, Healthy Lifestyles)
- Opportunity to allocate up to £1.500m of core Better Care Fund monies, subject to negotiation & agreement with CCG
- Target £0.500m benefit to adult social care from implementation of Health and Social Care transformation schemes in 2019/20
- Charge estimated £0.500m of relevant Communities & Wellbeing costs to the HRA, work taking place to confirm this figure
- Use all the additional £1.324m Improved Better Care Fund monies to support the council in delivery of social care
- £0.200m efficiency from Persona, which has been agreed in principle.

Social care review of lower cost packages £1.000m

All remaining care packages will be reviewed to ensure that, wherever possible, innovative approaches to strength based approach is taken and technology is introduced to support the needs of the customer. A detailed plan has been developed, and it will be delivered through the Council's in-house review team under the leadership of the Interim Executive Director.

Medication visits through care at home £0.400m

A commitment has been made to a joint piece of work with the CCG to review medication visits with customers, to ensure that wherever possible technology is used to support the administration of medication, or to consider different funding arrangements. It is anticipated that technology could reduce the number of 15 minute care at home visits needed, also creating capacity within the care at home commissioned service. The visits for review have been identified on an individual basis.

Remaining gap

Nevertheless that leaves a remaining gap of £2.256m to be bridged. The approach will be to bridge this gap using corporate reserves on a one year basis to ensure that we can set a balanced budget for 2019/20. The rationale for this recognises the particular value of social care to the wider health and care economy and the strengthened partnership working between the Council and the CCG. In particular:

- A short term approach of deeper cuts may lead to a long term adverse impact on the health and care economy – every £1 cut in social care potentially has a £3 impact in health
- It may also lead to a significant negative impact on the integration agenda – social care is a key partner within transformation
- We need to be cognisant of the impact on quality for customers and the provider market
- A 1 year bridge for the short term will support long term goals around transformation and financial sustainability
- A local commitment has been made that additional NHS funding will be able to support the wider health and care economy to meet health outcomes for Bury people.

5.3 **Implications for 2020/21 and next budget cycle**

Due to the scale of change required to deliver the outcomes and quality set out in this paper some savings and pressures due to be delivered by 2019/20 will be delayed beyond that point.

This means the CWB will automatically start 2020/21 with a deficit of at least £2.256m, so a medium term financial plan is a priority to address the underlying deficit.

Bridging of the gap is requested from corporate reserves (enabled by the release of dormant earmarked reserves) to ensure that transformation and delivery of the strength based approach will be embedded. This will support long term financial sustainability of the health and care economy in Bury.

5.4 **Workforce implications**

51% of the workforce within the directorate serves to deliver or assess for adult social care; there are significant shortages in both Greater Manchester and nationally of social workers and social care delivery staff and it is therefore important to retain workforce in Bury. The Council have a clear approach to growing its own social workers under the Assessed & Supported Year in Employment programme.

Much of the social care workforce already works in close partnership with other agencies and integration means that this will become further embedded through development of shared job descriptions and single line management arrangements.

The workforce within adult social care commissioned services also has a significant impact upon the ability of the Council to discharge its duty of care – and work is undertaken with providers to ensure both quality and quantity of staff i.e. one approach to the whole health and care economy.

Staff with responsibility for strategic commissioning, including core public health staff, will be reviewed to ensure alignment with the operating model of the One Commissioning Organisation.

Other staff within the directorate also deliver services which contribute significantly to people's health and wellbeing, including sports, physical activity and integrated wellness services, the future delivery of which will depend on the Growth & Infrastructure proposals.

Staff who provide housing related services have recently been consulted on proposals in principle to transfer them into the Council's ALMO, Sixtown Housing – the planning to deliver this is now well underway. Consultation around the detailed proposals will be undertaken during 2019.

5.5 **Investments**

Investment is needed for assistive technology to reduce manpower in terms of packages of care, and underpin the strength based approach. This will be delivered through the work with the Local Care Organisation and the Integrated Neighbourhood Teams, with £xm investment identified from the Transformation fund.

IT solutions to a flexible workforce, especially with the introduction of Integrated Neighbourhood Teams based in each locality, will be key to delivering transformation proposals. The need for significant investment in IT infrastructure to support flexible working is recognised within the Corporate Capital report.

Short to medium project management and delivery support needed for transformation – middle and senior managers can provide the leadership, but

don't have the capacity to deliver everything too. Careful consideration will be given to a small number of fixed term appointments to support delivery in the short to medium term.

Transformation fund investment £19m is being used to support prevention, early intervention approaches through programmes of work to support the development of the Voluntary Community and Faith Sector.

6.0 CONCLUSION

6.1 There are significant financial pressures facing CWB in addition to the slippage on previously agreed savings targets. The overall gap to be addressed is estimated at £8.880m for 2019/20.

6.2 There are plans in place to reduce the gap to £2.256m, which will need to be funded from reserves. This is a short-term measure to bridge the gap whilst the transformation of health and social care takes place, with the expectation that significant savings will flow to social care in future years.

6.3 Integration with Bury CCG has already led to demonstrable financial benefits, e.g. agreement of use of £0.310m mental health funding; use of £1.500m BCF contingency; joint working towards £0.400m medication visit savings.

6.4 It is essential that the Health and Social Care Transformation Programme and the CWB savings plans are closely monitored throughout the year to allow corrective action to be taken if targets aren't met.

- In relation to the Health and Social Care Transformation Programme, Bury Transformation Board will receive regular reports from the Local Care Organisation Project Management Office throughout the year, measuring performance versus agreed KPIs and financial trajectories
- CWB savings plans will be monitored monthly through the directorate's senior management meetings, and the corporate-wide Budget Recovery Group.

List of Background Papers:-

Contact Details:-

Julie Gonda
Interim Executive Director – Communities & Wellbeing

Mike Woodhead
Chief Finance Officer (Bury CCG)

This page is intentionally left blank

REPORT FOR DECISION

Bury COUNCIL

DECISION OF:	**The Cabinet**
DATE:	**20th February 2019**
SUBJECT:	**Children, Young People and Culture Directorate Budget 2019/20**
REPORT FROM:	Councillor Sharon Briggs - Cabinet Member for Children, Young People and Culture
CONTACT OFFICER:	Karen Dolton, Executive Director, Children, Young People and Culture
TYPE OF DECISION:	**CABINET**
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain.
SUMMARY:	This report forms part of a suite of reports to support the Council in setting a budget for 2019/20. The report explains the progress made by the Children, Young People and Culture Directorate in delivering its budget savings for 2017/189 and 2018/19 – the first 2 years of the Council's current 3 year budget. The report also sets out the proposals for savings for 2019/20 – the final year of the 3 year budget. These changes are included in the overall budget report which appears elsewhere on this agenda.
OPTIONS & RECOMMENDED OPTION	That the proposals for changes to the Children, Young People and Culture Directorate budget for 2019/20 be approved and recommended to Council as part of the overall Corporate Budget.

IMPLICATIONS:	
Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? Yes
Statement by the S151 Officer: Financial Implications and Risk Considerations:	The proposed savings represent the final year (2019/20) of the 3 year budget programme. Delivery is essential to ensure a balanced

	budget position for the Council.
Health and Safety	Proposals will be implemented in line with Health & Safety guidance
Statement by Executive Director of Resources:	Proposals with staffing implications will be implemented in accordance with the relevant consultation / HR polices.
Equality/Diversity implications:	In respect of the Council's equalities duties, these apply to consideration of the allocation of budget and service planning. In respect of individual decisions, the overall budget is only at a formative stage. Once full and final decisions are taken, the Council will comply with its full duties via the completion and consideration of the appropriate analyses, including consideration of mitigating steps and alternatives.
Considered by Monitoring Officer:	In summary, the Council is required to set a council tax and balanced budget on recommendations from Cabinet. The Cabinet have full authority to implement the budget within the budget framework set by Council and have wide discretion in doing so. Whilst the overall budget sets individual budgets and plans for service areas, these are formative at this stage. Any full and final decisions will be made by the Cabinet or officers under delegated powers during the forthcoming year, at which point full and separate consideration to the Council's duties, including but not limited to, equalities and appropriate consultation, will be considered and finalised. In setting the proposed budget and considering proposals for savings, due regard has to be given to relevant considerations including equality, human rights, proportionality, reasonableness, the need to deliver statutory obligations, legitimate expectation and the Council's priorities. The Cabinet will also have to have due regard to the potential for any cumulative impact on some groups from separate work streams arising from the budget. Sufficient flexibility and delegation will be built into each programme that arises from this

	budget, to ensure that any consultation exercise and detailed equality impact that identifies a need to make adjustments can be implemented.
Wards Affected:	All
Scrutiny Interest:	Overview & Scrutiny

TRACKING/PROCESS **DIRECTOR: Karen Dolton**

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	20/2/19		
Scrutiny Committee	Committee	Council	

1.0 BACKGROUND

The Council's budget for 2017-20 includes proposals for budget reduction of the Children, Young People and Culture Directorate alongside the strategic priorities of the Directorate to achieve the Council aims and ambitions.

This report explains progress in delivering those savings and sets out proposals for the final year of the current 3-year budget cycle, and outlines plans for achieving savings in the next 3 year medium term budget planning cycle.

Savings targets for the recovery of the DSG overspend are contained in a separate report.

The budget changes are designed to support or have the least negative impact on the Directorate delivering its contribution to the Council's objectives for the future of Bury.

This report should be read alongside the other four Directorate reports and the overall corporate budget report.

2.0 THE CHILDREN, YOUNG PEOPLE AND CULTURE DIRECTORATE

2.1 The Directorate undertakes a number of statutory and regulatory functions which include:

- The commissioning and provision of Early Years services ensuring sufficiency of child care placements and quality assuring standards of providers.
- Early Help and preventative services through a range of family support services which range from parenting programmes; support with budgeting and housing, family relationships and emotional and behavioural support.
- Statutory social work for children who are assessed as vulnerable and in need of support, at risk of harm and abuse or who are looked after by the Council and placed in Foster Care and Residential Homes.
- A range of educational support services including school attendance, Special Educational Needs and Disability and school psychology.
- Youth Offending and Youth Support Services and Services for young people leaving care.

2.2 The Directorate is a key member of a number of strategic partnerships, which include; Bury Safeguarding Children Board, Bury Community Safety Partnership and Bury Health and Wellbeing Board, The Children's Trust, and Bury Education Strategic Board.

2.3 The Directorate budgets and staffing are:

Children & Young People	**2018/19 Budget £'000**
Staffing	22,678
Other	27,074
Gross Expenditure	49,752
Income	(9,580)
Net Expenditure	**40,172**

Total workforce: 517 FTE (excluding schools)

Workforce includes HR, Business support, statutory social workers, early years workers ensure that children are school ready, early help workers and a workforce that work with schools to ensure schools are improving and effective.

3.0 CONTRIBUTION TO COUNCIL PRIORITIES

3.1 The Directorate contributes to the following priorities for Bury:

Safe and Supportive Communities –

Promote and protect the educational, social and emotional needs of children and young people and intervening where children and young people need are not safe or achieving their potential. The Directorate also leads on creating opportunities for children and their families to lead fulfilling lives and make an effective contribution to their communities

Reducing demand through access to early help that creates healthier, safer and better educated population

Ensuring children are safe from harm

Securing the provision of services which address the needs of all children and young people, including the most disadvantaged and vulnerable, and their families and carers improving outcomes for children and young people.

Equipping people for lifelong employment through skills and learning –

The LA acts as convenor, broker and quality improvement agency of school effectiveness and improvement through propmoting inclusive education that will ensure that all children and young people have the best chance of achieving good skills that will enalble them to move into employment.

The LA works to ensure every child attends at least a good school and is successful in learning and work

4.0 THREE YEAR BUDGET 2017-20

4.1 The savings target for the Directorate to be achieved from 2017/18 in the 3-year budget to 2019/20 was £7.65 million. There were 18 areas identified across the Directorate where savings were proposed. These are summarised in the table below, identifying the amounts achieved and what is still required within the remainder of the current three year budget:

Proposal (Theme)	Original Target	Revised Target	Achieved 2017/18	Achieved 2018/19	Target 2019/20
	£000's	£000's	£000's	£000's	£000's
Reduced Pension Liabilities	500	500	120	230	150
Business Support Functions	240	240	100	72	68
Traded Services Finance / HR	250	250	80	50	120
Social Care	1,250	100	100	0	0
Early Years / Children Centres	950	1,300	350	550	400
Service Reviews / Transformation	1,570	2,860	150	364	2,346
Asset Management, inc Libraries	1,150	1,150	500	560	90
Procurement Contract reviews	150	150	0	0	150
Tourist Information Centre	50	50	50	0	0
Maximise External Funding	1,540	1,050	1,050	0	0
Savings Target	**7,650**	**7,650**	**2,500**	**1,826**	**3,324**

Key achievements in meeting the savings requirements during 2017/18 and 2018/19 include:

- Completion of service reviews, including Traded Services, in line with maximising efficiencies and making best use of opportunities through Mutual Settlement Scheme (MSS) and Voluntary Early Retirement (VER)
- Review of Library provision across the Borough
- Review of Early Years & Children's Centres delivery models, removing vacancies within team structures and budgets
- Rationalisation of building assets
- Maximising opportunity of available external funding
- Review of back office functions.

4.2 It should be noted that Revised Savings targets have been required notably in the following areas:

- Social Care – target not achieved due to unrealistic original savings targets proposed against budgets facing significant demand pressures including high cost placements for Looked After Children and Foster Care.
- External Funding – target not achieved due to pressures in respect to an accumulated deficit on the Dedicated Schools Grant (DSG) specifically in respect to high cost Special Educational Needs and Disabilities (SEND) placements. The DSG recovery plan is outlined in a separate report.
- Service Reviews / Transformation – target increased due to turnaround plans required to mitigate the impact of unachievable savings targets mentioned above together with identifying cashable savings predicted through Greater Manchester (GM) Innovation funding and Health and Social Care Locality Transformation proposals developed since the original targets were proposed.

4.3 The three year position is summarised below;

Children & Young People	**£'000**	**£'000**
Original Target		7,650
Delivered – Years 1 & 2		(4,326)
To be delivered – Year 3		(2,799)
Slippage		525
Pressures		3,200
Support required through 19/20 Budget		3,725

The Directorate has already achieved the required budget savings during the first two years of the current budget cycle, and is set to achieve the planned savings in the final year of this.

4.4 Compounding the difficulties of achieving the savings target together with sustaining a balanced budget, the demand pressures referred to above have resulted in the Directorate reporting a recurring overspend position, including pressures brought forward from 2016/17 into the current three year budget period 2017/18 to 2019/20. The table below demonstrates the ongoing pressures together with mitigations which will reduce the pressures in 2019/20:

Pressures	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Cumulative pressure (overspend)	1.3	2.7	4.2	4.2
Mitigations				
Cost transfer to DSG	-	-	-	(0.6)
Investment in Foster Care	-	-	-	(0.2)
Ofsted Action Plan	-	-	-	(0.2)
Residual pressure c/fwd	**2.7**	**4.2**	**4.2**	**3.2**

Whilst every effort is made to achieve the savings targets in line with the detailed plans and in accordance to required timeframe within the three year budget period, the Directorate will use £3.2m of earmarked to meet the ongoing residual pressures within the budget proposals in 2019/20.

5.0 BUDGET PROPOSALS 2019/20

5.1 Overall proposals

Following on from the savings achieved as shown in the table feature in 4.1, the Directorate budget for 2019/20 includes a requirement to meet the balance of savings within the three-year budget period.

Please note Early Years is now included together with Service Reviews and Transformation in respect to the development of the Early Help model and the view to include all Directorate reviews in one area.

The budget proposals to achieve the savings for 2019/20 are outlined below:

Proposal (Theme)	**Target 2019/20**	**On track within 2019/20**	**Delayed within 2019/20**	**Delayed beyond 2019/20**
	£000's	£000's	£000's	£000's
Reduced Pension Liabilities	150	150	0	0
Business Support Functions	68	68	0	0
Traded Services Finance / HR	120	120	0	0

Early Years / Early Help / Service Reviews / Transformation	2,746	646	1,575	525
Asset Management, inc Libraries	90	90	0	0
Procurement Contract reviews	150	150	0	0
Savings Target- to be delivered	**3,324**	**1,224**	**1,575**	**525**

The savings targets include detailed plans to achieve and are summarised below:

- Reduced Pension Liabilities – achieved through an ever reducing number of former employees (former teachers) historically in receipt of enhanced lifetime pension benefits provided during the 1980's and early 1990's

- Business Support Functions – reduction in line with efficiencies, better use of ICT and service integration including data sharing and pooled budgets.

- Traded Services Finance / HR – Reduction in costs through efficiencies and use of ICT whilst maintaining traded services income levels. Planned management of staff capacities and use of Mutual Settlement and Voluntary Early Retirement (VER) opportunities.

- Service Reviews and Transformation – whole Directorate planned re-organisation subject to consultation with staff and unions. Incorporates developments required to address capacity and business transformation whilst maximising savings through Mutual Settlement and Voluntary Early Retirement (VER) opportunities.

- Asset Management – rationalisation and relocation from buildings including Higher Lane, St Mary's Place, utilising capacity at Knowsley Place and New Kershaw Centre

- Procurement and Contract reviews – renegotiation of contract unit prices and re-tendering to alternative better value offers. In conjunction with Corporate Procurement and Contracts review.

- Investment secured through GM Transformation and Innovation funds will support delivery of the savings by giving capacity toto develop a new Integrated Neighbourhood Early Help Service. This will help the better management of demand and release savings

- Invest to save funding approval to improve payments to foster carers in order to attract more foster carers to Bury. This investment will support the delivery of savings as it will reduce the reliance on the use of external foster care providers which cost more than out own carers

- The amount identified as 'Delayed within 2019/20' (£1.575m) is due to the development of the Directorate structure and finalisation of plans including consultation with staff and unions to be undertaken during February/April 2019. This amount will be delivered in 2019/20.

- The amount identified as 'Delayed beyond 2019/20' (£525k) is in respect of anticipating the part-year delay in implementation of revised structures and line management arrangements to ensure proper and robust consultation may be undertaken prior to implementation. This figure may be reduced and be partly realised within 2019/20 depending on the actual timescale to implement.

In addition to the savings targets to be achieved the Directorate budget for 2019/20 will require recognition of the residual demand pressures of £3.2 million as outlined in the table at 4.3 above. This will be funded from earmarked reserves in 2019/20, with a plan in place to reduce demand in future years.

5.2 The Delivery Model

The Health and Social Care Locality Plan Transformation Fund is supporting the development of sustainable Early Help offer for children and their families in Bury. Building on the successes of the Troubled Families approach and the work of Team Oasis, the ambition of the Early Help Transformation model is to develop a new Early Help offer using an integrated, coordinated and targeted approach which shifts activity away from reactive interventions to proactive ones. By identifying and supporting vulnerable families at an earlier stage, the escalation of their needs can be prevented through timely and appropriate interventions, addressing issues at root cause.

The delivery model is based on national and international examples of best practice and will seek to support the development of a whole family based approach that is able to deal holistically with all the issues a family faces and encourage residents to take greater responsibility for meeting their own needs, and those of their families and their communities.

The Stockport Family Model has been agreed through partnership discussions as the delivery model to deliver a transformational 'Early Help' service in Bury. It is underpinned by restorative practice, helping families to deal with conflict and challenge and repair relationships. It is an integrated service for children and families delivered through multi-agency, co-located, locality-based teams with access to a range of specialist borough-wide services. To deliver this, Stockport have structured their Early Help, health and social care workforce around three locality areas and the Early Help offer has been designed around the local school system - 'the team around' approach.

The 'team around' the school / early years reflects the Stockport Family broader principles. It involves bringing a dedicated Early Help workforce into school settings in order to improve coordinated and accessible support to struggling families at an early stage, manage concerns locally and reduce referrals. In addition, each school is provided a single point of contact for access to the Early Help services and teams in order to further reduce the time taken to meet children's needs or to address concerns raised by school leaders.

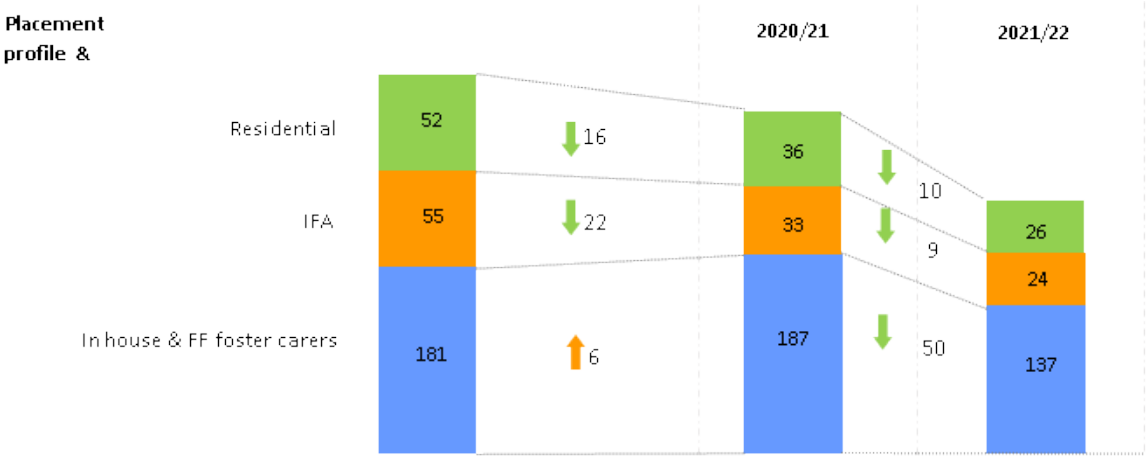
It is proposed in Bury we reconfigure Early Help services into three integrated neighbourhoods, which will provide:

- **Support from 0-19** – it is envisioned that children's centres will be re-purposed to provide support on a family basis covering individuals from before birth to the ages of 0 – 19.
- **An integrated approach** – Early Help teams will be restructured to ensure silo working is eradicated and that support for any child and family is fast and effective. Integrated teams will be able to be more responsive to local changes and will be shaped to fit the local area of need.
- **Assertive outreach** - proactive identification and targeting of individuals in Tiers 1&2 before they get through to Tier 3 level of need. This will be through the trusted assessor model and aligned working with partners in health, housing, policing and education.
- **A single team** - professionals will come together in the new service as one team. Every worker, whatever their original specialism or background, will take on the lead family worker role for a number of families, dealing with all the issues those families face. Managers will come from a range of disciplines and the service will include volunteers, including peer supporters.
- **Single assessment and plan** – families have told us repeatedly they do not want to tell their stories multiple times. A single assessment is key – following an accepted referral and assignment to an appropriate key worker, families will undergo a holistic single assessment, through which a single plan is developed. These will both be logged on to the case management system, accessible to other individuals and partner agencies that may also be working with the family.
- **Evidence based interventions** – key workers will be trained in 'Restorative Practices' and will use a range of evidenced based strength and asset based interventions.

Bury has bucked the national and regional trend over the last 2 years with its LAC headline figure remaining relatively stable and showing a slight reduction from 350 as at 31st March 2017 to 340 as at 1st January 2019. However, whilst LAC numbers have remained stable, spend on placement costs have increased. There are a number of reasons for this including:

- More children are placed in Residential Care
- More children are placed in the Independent Fostering Sector incurring a higher cost
- The age profile of children entering the care system has increased; over 50% new entrants are now 11 – 15 years with older children more likely to enter Residential care.

Whist there is ongoing work to safely reduce the numbers of Looked after Children, as shown with targets in the chart below, in order to change the placement profile a project has been developed to increase the number of in-house foster placements and therefore reduce the reliance of Independent Foster carers and avoid a continuation of the significant cost pressures associated with this type of provision.



There are several aspects to this project which include:

- Enhanced foster care offer – payment uplift from January 2019 to make Bury more competitive
- Improved and timelier assessment and approval process for foster carers
- Marketing officer in place from January 2019 to lead on recruitment campaigns
- Better intelligence to support targeted recruitment
- Ambassador scheme started for foster carers to support recruitment.

5.3 Implications for 2020/21 and next budget cycle

Due to the scale of change required to deliver the outcomes and quality set out in this paper (table shown in paragraph 5.1), some savings and pressures due to be delivered by 2019/20 will be delayed beyond that point. A focus area for 2020/21 and the next budget cycle is to make our plans even stronger to minimise any risks of non-delivery, together with a robust approach to budgeting for the high level of volatility within LAC placements.

5.4 Workforce implications

In adopting and implementing the new Early Help transformation model, and addressing the savings plan as outlined, there will be a re-modelling of teams

across the Directorate to achieve the new service model in locality and neighbourhood teams for the benefit of children and families.

As staff in the Early Help model will be drawn from across both social care and education teams, a process of consultation with staff and staff associations will formally begin in February 2019 and conclude in April 2019, whereby those staff affected will have been re-positioned into their new teams within a re-modelled Directorate structure.

A significant aspect of developing the new Early Help Model will be workforce reform as we move from a current disparate service structure that provides a fragmented approach to an integrated neighbourhood delivery model which will require staff to come together and work within a defined geographical "place". This will require staff to make a shift from being predominately building based to be able to work across community assets within a given geographical location integrating with local services.

In adopting the Stockport Family Support Model, relevant staff with be trained in strength based interventions including restorative practice.

In terms of improvements made to the Fostering Service, through Transformation monies, a review of the service configuration has already been undertaken with a new post of marketing officer recruited to and the enhancement of two existing posts to improve data analysis and performance management capacity.

When compared to the original workforce of 517 full-time equivalent (FTE) staff the outcome of the re-modelling of services and Early Help transformation will see a revised estimated workforce of 490 FTE to be achieved through Mutual Settlement and Voluntary Early Retirement schemes where possible.

The estimated impact on workforce numbers is shown in the following table:

Division	Current	Proposed
	FTE	FTE
Education & Inclusion	185.22	174.30
Social Care / Safeguarding	174.13	178.93
Early Help	86.23	67.73
Business Support (Finance, HR, Administration)	71.50	69.50
Total	**517.07**	**490.45**

5.5 Investments

In achieving the transformation and budget savings within the given service pressures, we are able to benefit from additional non-recurrent funding supported by investment from the following areas which are outlined in separate detailed business cases and transformation papers:

- GM Health and Social Care Transformation Fund – transformation scheme to shift the balance of foster care from external to internal foster carers £0.5m
- GM Children's Innovation Fund – for the costs of deploying the Stockport Families model £0.5m
- Corporate funding £0.2m 'Invest to Save'
- Ofsted Improvement Action Plan £0.2m

6.0 CONCLUSION

6.1 This budget report is a key report for the Council, as it presents an outline of how the Children, Young People and Culture Directorate will address the key financial savings set in a context of transformation, challenge, and alongside key service pressures with a medium to high risk. This will require significant support and investment to achieve the necessary changes in culture and working practices between partners and agencies across the education, health and care sectors.

6.2 Members are asked to consider the medium level of risk around the directorate achieving the savings against the cost pressures as outlined in the report, given the high level of uncertainty around addressing the costs and volume of Looked after Children in Bury.

6.3 It is important that Members' consider the findings of the report, the key issues raised, the challenges in addressing the financial savings targets, and in doing so shape and support our directorate response and strategy.

6.4 The Council is asked to approve the proposals as outlined in the report, whilst also understanding the cultural shift in working practices and in the opportunity to now share risk and responsibilities for children and their families to a multi-agency approach by adopting a new Early Help transformation delivery model, as well as changes in working practices between schools and the Early Help support agencies to ensure inclusive solutions for all children to be educated and supported in Bury.

6.5 Council are asked to consider the medium level of risk around the directorate achieving the savings against the cost pressures as outlined in the report, given the high level of uncertainty around addressing the costs and volume of Looked after Children in Bury. Similarly, Council are asked to note the mitigations / measures outlined in this report to manage this risk.

6.6 It is important that Members' consider the findings of the report, the key issues raised, the challenges in addressing the financial savings targets, and in doing so shape and support our directorate response and strategy.

List of Background Papers:-

Contact Details:-

[Cllr Sharon Briggs, Lead Member of Children's Services]

This page is intentionally left blank

REPORT FOR DECISION

Bury COUNCIL

DECISION OF:	**Cabinet**
DATE:	**20th February 2019**
SUBJECT:	**Operations Directorate Budget 2019/20**
REPORT FROM:	**Councillor Alan Quinn, Portfolio Holder for Environment**
CONTACT OFFICER:	**Dave Brown, Interim Director of Operations**
TYPE OF DECISION:	**CABINET**
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain.
SUMMARY:	This report forms part of a suite of reports to support the Council in setting a budget for 2019/20. The report explains the progress made by the Operations Directorate in deliver its budget savings for 2017/18 and 2018/19 – the first 2 years of the Council's current 3 year budget. The report also sets out the proposals for savings for 2019/20 – the final year of the 3 year budget. These changes are included in the overall budget report which appears elsewhere on this agenda.
OPTIONS & RECOMMENDED OPTION	That the proposals for changes to the Operations Directorate budget for 2019/20 be approved and recommended to Council as part of the overall Corporate Budget.

IMPLICATIONS:	
Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? Yes
Statement by the S151 Officer: Financial Implications and Risk Considerations:	The proposed savings represent the final year (2019/20) of the 3 year budget programme. Delivery is essential to ensure a balanced budget position for the Council

Health and Safety	Proposals will be implemented in line with Health & Safety guidance
Statement by Executive Director of Resources:	Proposals with staffing implications will be implemented in accordance with the relevant consultation / HR polices.
Equality/Diversity implications:	In respect of the Council's equalities duties, these apply to consideration of the allocation of budget and service planning. In respect of individual decisions, the overall budget is only at a formative stage. Once full and final decisions are taken, the Council will comply with its full duties via the completion and consideration of the appropriate analyses, including consideration of mitigating steps and alternatives.
Considered by Monitoring Officer:	In summary, the Council is required to set a council tax and balanced budget on recommendations from Cabinet. The Cabinet have full authority to implement the budget within the budget framework set by Council and have wide discretion in doing so. Whilst the overall budget sets individual budgets and plans for service areas, these are formative at this stage. Any full and final decisions will be made by the Cabinet or officers under delegated powers during the forthcoming year, at which point full and separate consideration to the Council's duties, including but not limited to, equalities and public consultation, will be considered and finalised. In setting the proposed budget and considering proposals for savings, due regard has to be given to relevant considerations including equality, human rights, proportionality, reasonableness, the need to deliver statutory obligations, legitimate expectation and the Council's priorities. The Cabinet will also have to have due regard to the potential for any cumulative impact on some groups from separate work streams arising from the budget. Sufficient flexibility and delegation will be built into each programme that arises from this budget, to ensure that any consultation exercise and detailed equality impact that identifies a need to make adjustments can

	be implemented
Wards Affected:	All
Scrutiny Interest:	Overview & Scrutiny

TRACKING/PROCESS **DIRECTOR:** Dave Brown

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	20/2/19		
Scrutiny Committee	Committee	Council	

1.0 BACKGROUND

1.1 The Council's budget for 2017-20 includes proposals for budget reduction for the Operations Directorate. When the budget was set the services that now form the Operations Directorate were part of other Directorates. Highways, street lighting, waste, grounds maintenance and transport were part of Communities and Wellbeing Directorate. Engineering services (which includes parking) was part of Resources and Regulation Directorate.

1.2 This report explains progress in delivering those savings and sets out proposals for the final year of the 3 year budget.

1.3 The budget changes are designed to support or have the least negative impact on the Directorate delivering the Council's objectives.

1.4 This report should be read alongside the other four Directorate report and the overall corporate budget report.

2.0 THE OPERATIONS DIRECTORATE

2.1 The Operations Directorate delivers some of the Council's most visible services including maintenance of 625km of highway, waste collection from over 80,000 properties, street cleaning and grass cutting.

2.2 These service are vital to the economic, social and environmental well-being of Bury. They ensure access to employment, education and essential services, as well as contributing to Bury's local character and our resident's quality of life.

2.3 The current budget for the Directorate is outlined below:

Operations	2018/19 Budget £'000
Staffing	8,556
Other	15,595
Gross Expenditure	24,151
Income	(13,684)
Net Expenditure	**10,467**

2.4 The Directorate employs 284 full time equivalent (FTE) staff. The majority of service are provided in-house. External contractors are used to deliver large or specialist projects, structural surveys, parking enforcement and drainage work. Contracts are also used to cover peak workloads in any service where it would be uneconomical to directly employ staff.

3.0 CONTRIBUTION TO COUNCIL PRIORITIES

3.1 Health and wellbeing is enhanced through the maintenance of an attractive public realm, which encourage active travel and physical activity.

3.2 A modern economy would be unable to function without highway and transport infrastructure. Maintaining a clean, safe and accessible public realm is vital to attracting investment, new jobs and retaining Bury's position as a retail, leisure and tourism destination.

3.3 Housing development is required to support growth in the Bury and Greater Manchester economy. The identification and delivery of appropriate measures to mitigate the impact of additional traffic will help to ensure that this growth is sustainable.

4.0 THREE YEAR BUDGET 2017-20

4.1 The 3 year budget includes £3,635k of savings for the services which are now in the Operations Directorate. These saving were originally split between the Communities and Wellbeing Directorate (£2,785k) and the Resources and Regulations Directorate (£850k), as summarised below.

Description	Target (£'000)
Highways (1)	1,145
Parks and countryside	310
Waste management	1,030
Transport	300
Car parks	300
Highways (2)	300
Depot functions	200
Staff parking	50
TOTAL	**3,635**

4.2 The majority of these saving (£2,305k) will be delivered by the end of the 3 year budget period. £1,705k was saved in 2017/18 and 18/19. A further £600k of savings relating to highways will be delivered in 2019/20.

4.3 The Highways service has 2 savings targets (£1,145k and £300k), which total £1,445k. These related to the same proposal, but reflected that the service was previously spilt across 2 Directorates as described in section 1.1. The description of this proposal was as follows:

- Obtain best value through a balance of internal delivery and external contractors.
- Investment in low energy lighting.
- New equipment for highway repairs to reduce the maintenance backlog and reduce highway insurance and claim costs.
- Maximise the use of £10m capital in line with the highway asset management plan.

4.4 Implementation of these measures has saved £845k to date. The remaining £600k will be saved in 2019/20 by maximising the using of capital to fund all allowable highway maintenance activity, some of which has previously be funded from revenue budgets.

4.5 In addition to the Department for Transport's (DfT's) annual capital maintenance grant of £1.2M the Council approved an additional capital programme of £10M over the 3 year period. Around half of this additional investment has been delivered to date with around 11km of carriageway reconstructed. The programme is expected to be completed by April 2019. A further DfT grant of £0.9M was received in December 2018 for pothole repairs.

4.6 The Parks and Countryside service has a savings target of £310k. This has been achieved through differential mowing regimes, allowing selected sites to return to nature, reducing tree maintenance and maximising the use of Section 106 funding to maintain play equipment and other parks facilities.

4.7 The Waste and Street Cleaning Service has a savings target of £1,030k, which was originally planned for delivery in 2017/18 (£330k) and 2018/19 (£700k). The description of this savings proposal was as follows:

- Develop a commercially focussed operational service, including benchmarking to assess value for money in respect of in house delivery.
- Options appraisal to be undertaken to assess future service delivery model, including assessment of external provider delivery.

4.8 The scope of the work required to deliver these savings was not achievable within the original timescale. The work required to develop and assess the alternative delivery models and implement the preferred option will be completed during 2019/20 with savings delivered in 2020/21.

4.9 The £300k savings target for the Transport service has been delivered by extending the life of vehicles in the Council's fleet rather than replacing them.

4.10 The parking service has a savings target of £300k. The plan was to bring the enforcement contract back in house, and create generic inspector roles. Analysis shows that the additional staff costs of bringing the service in-house would be around 30% and the potential savings from generic inspector roles are limited. An alternative approach to this saving is described in section 5.11.

4.11 £200k of savings have been made by reducing staff number through the alignment of depot and engineering functions.

4.12 £50k of savings have been made through changes to the staff parking scheme.

4.13 The current position in respect of delivery is as follows:

Operations	**£'000**
Original Target	3,635
Delivered – Years 1 & 2	(1,505)
To be delivered – Year 3	(800)
Slippage - Years 1 & 2	1,130
Slippage – Year 3	200
Pressures	506
Support required through 19/20 Budget	**1,836**

5.0 BUDGET PROPOSALS 2019/20

5.1 Of the £3,635k savings identified in the 3 year budget, £2,305k are forecast to be delivered, with £1,330k delayed until 2020/21. Of the £800k savings to be delivered in 2019/20, £600k related to highways and £200k relates to parking (shown as slippage in the table above). In addition, income targets need to be reduced by £506k, in line with realistic projections based on historic demand.

5.2 **Waste and Cleansing**

5.3 Alternative methods of delivering the waste and cleansing service will be evaluated. A project initiation document with a detailed delivery programme has been developed and a project board has been established to oversee the process. The following options will be evaluated:

- An optimised in-house operation
- Shared service/joint venture
- Outsourcing

5.4 The option of a local authority trading company has already been considered and dismissed. It would offer few advantages compared to the other delivery models and would involve significant expense to fully develop as an option.

5.5 In addition to cost, the evaluation will take account of quality issues such as health and safety, environment and sustainability, customer service, innovation and social impact. Staff workshops will be used to develop the in-house option. These will be facilitated by a third party and will take place early in 2019.

5.6 **Highways**

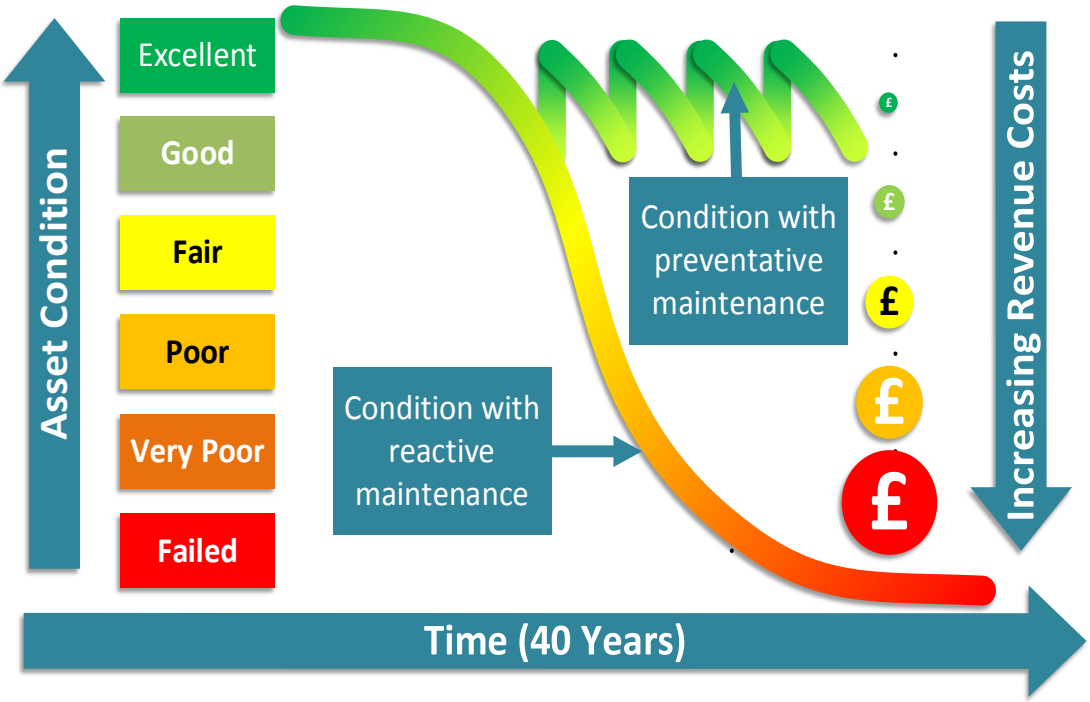
5.7 A further £600k saving will be made in 2019/20 by maximising the use of capital for highway maintenance. The Council has invested in a spray injection patching machine which is significantly increasing productivity. A performance framework has been established to monitor potholes and insurance claims and a new asset management system (Alloy) is being implemented in 2019. This will provide an online tool for residents to report potholes and other defects.

5.8 Although capital investment will allow the 2017-20 savings targets to be achieved, this has provided only a partial solution to reducing ongoing revenue

costs. The long-term solution will require the adoption of asset management principles to minimise whole life costs.

5.9 A plan is in place to implement asset management best practice and achieve Department for Transport (DfT) 'Band 3' status by Dec 2019. This will maximise DfT capital maintenance grants and will include a service review to provide assurance with regard to commissioning.

5.10 The Council's Capital Strategy outlines that capital investment is required to avoid future pressures (note that £903k of new capital grant funding was provided by DfT in December 2018). The proposed investment will be split between structural maintenance (e.g. reconstruction), preventative maintenance (e.g. surfacing dressing), reactive maintenance (e.g. pothole repairs) and street lighting. This will be key to minimising costs and making savings over the long term, as shown indicatively in the diagram below:



5.11 **Parking**

5.12 The parking contract will be retendered with an optimised enforcement specification which could significantly reduce costs. The specification can have options to include other services (e.g. litter enforcement). The current contract ends in autumn 2019 and the retender process has commenced. The capital investment to reduce enforcement costs (e.g. barrier to allow pay on exit) will be evaluated as part of the retender process.

5.13 **Implications for 2020/21**

5.14 £1,330 of delayed savings are forecast to be achieved in 2020/21. Any revisions to income targets will relate to increased charges or increased service demand. The pressures of £506k will be addressed by a new set of savings proposals that will be developed during 2019/20.

5.15 **Workforce implications**

5.16 Staff engagement will be required throughout the waste project. The redesign of the in-house service will be carried out in consultation with the operatives

and take account of their views with regard to the redesign of rounds and other working practices.

5.17 Should any staff be transferred as a result of a shared service or external contract, terms and conditions would be protected under the Transfer of Undertakings (Protection of Employment) regulations (TUPE). Consultation would be carried out with all affected unions and employees.

5.18 **Investments**

5.19 The support of suitably qualified and experienced consultancy will be required for the waste project. This is likely to cost in the region of £100k. Quotations will be obtained in line with contract procedure rules and, if approved, will be funded from the waste levy smoothing reserve.

5.20 Further capital investment is required to deliver the required highway savings (note that £903k of new capital grant funding was provided by DfT in December 2018). A Phase 2 capital investment business case is being developed for Cabinet consideration.

6.0 CONCLUSION

6.1 This budget report presents an outline of how the Operations Directorate has delivered the savings targets for 2017-20, the actions required to address the remaining savings and pressures relating to income.

6.2 The Council is asked to approve the approach outlined in the report. This will require an investment in service transformation and a new approach to highway asset management. If approved in principle, a further report will be prepared detailing the business case for a 2nd phase of highway capital investment.

List of Background Papers:-

Contact Details:-

Dave Brown - Interim Director (Operations)

REPORT FOR DECISION

Bury COUNCIL

DECISION OF:	**CABINET**
DATE:	**20th February 2019**
SUBJECT:	**Resources & Regulation Directorate Budget 2019/20**
REPORT FROM:	Councillor Judith Kelly – Portfolio Holder for Corporate Affairs & Regulatory Services
CONTACT OFFICER:	Steve Kenyon, Interim Executive Director
TYPE OF DECISION:	CABINET
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain.
SUMMARY:	This report forms part of a suite of reports to support the Council in setting a budget for 2019/20. The report explains the progress made by the Resources & Regulation Directorate in delivering its budget savings for 2017/18 and 2018/19 – the first 2 years of the Council's current 3 year budget. The report also sets out the proposals for savings for 2019/20 – the final year of the 3 year budget. These proposals are recognised in the overall budget report which appears elsewhere on this agenda.
OPTIONS & RECOMMENDED OPTION	That the proposals for the Resources & Regulation Directorate budget for 2019/20 be approved.

IMPLICATIONS:	
Corporate Aims/Policy	Do the proposals accord with the Policy

Framework:	Framework? Yes
Statement by the S151 Officer: Financial Implications and Risk Considerations:	The proposed savings represent the final year (2019/20) of the 3 year budget programme. Delivery is essential to ensure a balanced budget position for the Council.
Health and Safety	Proposals will be implemented in line with Health & Safety guidance
Statement by Executive Director of Resources:	Proposals with staffing implications will be implemented in accordance with the relevant consultation / HR polices.
Equality/Diversity implications:	These proposals are in line with equality and diversity policies.
Considered by Monitoring Officer:	In summary, the Council is required to set a council tax and balanced budget on recommendations from Cabinet. The Cabinet have full authority to implement the budget within the budget framework set by Council and have wide discretion in doing so. Whilst the overall budget sets individual budgets and plans for service areas, these are formative at this stage. Any full and final decisions will be made by the Cabinet or officers under delegated powers during the forthcoming year, at which point full and separate consideration to the Council's duties, including but not limited to, equalities and public consultation, will be considered and finalised. In setting the proposed budget and considering proposals for savings, due regard has to be given to relevant considerations including equality, human rights, proportionality, reasonableness, the need to deliver statutory obligations, legitimate expectation and the Council's priorities. The Cabinet will also have to have due regard to the potential for any cumulative impact on some groups from separate work streams arising from the budget. Sufficient flexibility and delegation will be built into each programme that arises from this budget, to ensure that any consultation exercise and detailed equality impact that identifies a need to make adjustments can be implemented.
Wards Affected:	All

Scrutiny Interest:	Overview & Scrutiny

TRACKING/PROCESS **DIRECTOR:** Steve Kenyon

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	20/2/19		
Scrutiny Committee	Committee	Council	

1.0 BACKGROUND

1.1 The Council's budget for 2017-20 includes proposals for budget reductions in the Resources & Regulation Directorate.

1.2 This report explains progress in delivering those savings and sets out proposals for the final year of the 3 year budget.

1.3 The budget proposals are designed to support or have the least negative impact on the Directorate in delivering the Council's objectives.

1.4 This report should be read alongside the other four Directorate reports and the overall corporate budget report.

2.0 THE RESOURCES & REGULATION DIRECTORATE

2.1 The Resources & Regulation Directorate comprises the following services;

- Finance
- Customer Support & Collections
- IT
- HR / OD
- Legal & Democratic Services
- Operational Services (Security)
- Schools Traded Services

2.2 Current budgets for these services are as follows;

Resources & Regulation	**2018/19 Budget £'000**
Staffing	19,133
Other	19,905
Gross Expenditure	39,038
Income	(33,294)

Net Expenditure	**5,744**

2.3 The nature of the department is such that the majority of costs are staffing related; the Department employs 628 staff (full time equivalent).

2.4 As predominantly support services, income is generated through recharges (£26.7m) to front line services - in accordance with accounting guidelines.

2.5 The department also raises significant external income (£6.6m) from the traded services offered to schools.

3.0 CONTRIBUTION TO COUNCIL PRIORITIES

3.1 The Directorate provides professional support to all Council Services, ensuring that all resources flow freely to support the corporate aims and objectives of the Council.

3.2 Whilst primarily support services, the Directorate also includes essential front line services such as benefits and registration of births, deaths and marriages, providing support to vulnerable clients

3.3 Finance is at the core of all Council activity and the Directorate ensures high standards of financial control, and a resilient financial framework.

3.4 A key function relates to the collection of income – over £100 million Council Tax (including Police, Fire, Mayoral elements) and over £50 million in Business Rates

3.5 A skilled and resilient workforce is essential for the delivery of Council services, and through its HR & OD function the Directorate ensures the workforce is fit for purpose, with staff in the right place, at the right time, with the necessary skills

3.6 Digital / IT capability is essential for effective service delivery- both within the Council, and also when interacting with residents and other stakeholders

3.7 The Council's Legal Services Team provide quality legal support to services and ensure the highest standards of governance, and also manage the local democratic process

3.8 Schools traded services (Cleaning & Catering) fall within the Directorate. The service is currently undergoing an in depth review with a focus on price, quality & customer care to ensure retention of contracts.

3.9 Corporate service such as Finance, IT, HR and Procurement have historically been delivered through devolved structures within the Council.

3.10 Work has now commenced to create a corporate core bringing consistency, capacity, resilience to these services and to offer opportunities for staff within a unified service.

3.11 The initial focus will be on Finance; a consultation exercise is now underway to bring professional reporting lines together under the s151 officer.

3.12 The approach will then extend to HR, IT, Procurement and other support services.

3.13 The corporate core will ultimately provide support to both the Council and the CCG as a single commissioning approach is developed.

4.0 THREE YEAR BUDGET 2017-20

Savings Target 2017/18 to 2019/20

4.1 The Directorate had an original savings target of **£7.331m** for the period 2017/18 to 2019/20;

	2017/18 £'000	**2018/19 £'000**	**2019/20 £'000**	**Total £'000**
HR & OD	200	200	200	600
Legal & Democratic Services	350	50	50	450
Finance & Efficiency (incl. Treasury Management)	1,150	50	350	1,550
Localities	450	200	300	950
Property & Asset Management	250	300	200	750
Customer Support & Collections	250	250	250	750
ICT	-150	200	200	250
Admin Buildings	50	350	250	650
Architects	150	200	100	450
Community Safety	50	100	0	150
Dept Wide	250	250	281	781
	3,000	**2,150**	**2,181**	**7,331**

4.2 Key themes for the delivery of savings were;

- Review and consolidation of back office services
- Investment into ICT / digital processes
- Review of office accommodation
- Developing a corporate approach to Facilities Management
- Additional savings through Treasury Management Activity
- Improved debt collection
- Staff restructuring
- Capital investment in Highways; reducing revenue costs
- Reducing reliance on bought in services e.g. car parking, legal, insurance
- Income Generation
- Shared Services
- Review of discretionary budgets

4.3 The following savings have been successfully delivered to date;

- Treasury Management savings (£750k) have been achieved
- Staff restructuring across the Directorate has released savings through VERs; further work will be undertaken under the concept of establishing the Corporate Core
- The review of discretionary budgets has released £600k to date
- Additional income continues to be generated by the Pay Services Team

4.3 Responsibility for delivery of some of these savings has now passed to the Business, Growth & Infrastructure and Operations directorates as follows;

	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Original R&R Savings	**3,000**	**2,150**	**2,181**	**7,331**
To: Operations				
Car Parking	0	100	200	300
Highways Capital	100	100	100	300
Highways Restructure	200	0	0	200
Staff Parking	50	0	0	50
	350	**200**	**300**	**850**
To: Business, Growth & Infrastructure				
Building Control	50	0	0	50
Facilities Management	200	300	100	600
Property Investment	200	200	200	600
Office Accommodation	0	250	250	500
Architects	50	100	0	150
	500	**850**	**550**	**1,900**
Remaining R&R Savings	**2,150**	**1,100**	**1,331**	**4,581**

4.4 The table below summarises the current position in respect of delivering the savings that remain with the Directorate;

Resources & Regulation	**£'000**	**£'000**
Original Target		4,581
Delivered – Years 1 & 2		(2,250)
To be delivered – Year 3		(1,781)
Slippage		550
Pressures		547
Support required through 19/20 Budget		1,097

4.5 Savings totalling £450k will be delivered beyond the period of the three year budget, and a further £100k will not be achieved at all, details as follows

HR / OD Service Review	200	A Phase 1 review has taken place, and further work is scheduled based upon the development of a corporate core.
Appointment of in house lawyer /	100	Options to share this role

advocate		have been explored with neighbouring authorities, and further work continues. A restructure of Legal Services is also taking place.
Undertaking 3rd Party Benefit processing	150	Demands upon capacity mean that this saving is unlikely to be achieved in the near future. The budget reduction is being covered through DWP grant funding initially, and a number of pilot schemes are underway to enhance debt recovery.
Review of Coroner Service	100	This saving will not be achieved given the demand pressures facing the service. Alternative savings will be sourced across the services covered by the directorate.

4.6 Provision of **£550k** has therefore been made in the 2019/20 budget setting process to cover this shortfall on a one-off basis; these savings will have to be delivered in 2020/21.

Pressures

4.7 The Directorate largely provides support services, and does not experience demand pressures to the extent of other services.

4.8 The Directorate does however oversee the provision of the shared Coroners' service (with Rochdale and Oldham). This service is experiencing acute ongoing demand pressures given a rising population, and an increasing number of inquests. Funding of **£547k** has been identified through the 2019/20 budget process to address these pressures.

5.0 BUDGET PROPOSALS 2019/20

5.1 This section now outlines the plans in place for delivery of savings in 2019/20, and plans to address savings delayed beyond 2020;

Saving	£'000	Approach
Pay Services	50	Income Generation through undertaking the payroll service for external organisations on a commercial basis.
Insurances	200	Reduced insurance premiums through Self Insurance / Review of Cover / LGA Mutual
Debt Collection	100	Improved debt collection through pilot schemes / digital investment
Undertaking legal work in house in	200	An exercise is taking place to

respect of insurance claims		assess the scale / scope of work involved. The Council is also a founder member of the LGA Insurance Mutual, and further savings will be derived from this.
Review of Finance Structures	200	This work stalled initially, however is now moving at pace under plans to create a corporate core. A number of potential VER requests have been received.
Review of Financial Assessments / Income Collection	300	Review of processes to ensure a single corporate approach to financial assessments / income collection. This work has commenced, and will be completed during 2019/20 in order to deliver the required savings.
Telephony Contract savings	100	A new contract has now been let identifying initial savings of £200k over 5 years. Further work will be undertaken to rationalise the number of handsets, and further savings will be delivered through digital technology.
Data Management / Storage Costs	200	This option related to the move to cloud based storage solutions. This is picked up in the new Digital Strategy. In the meantime, some IT infrastructure costs have been capitalised to create headroom in the IT revenue budget.
Reconfiguration of Security Service	150	A management review is underway which will deliver the required savings. Work is also taking place to look at linkages with other out-of-hours council services.
Review of discretionary budgets	281	This work is taking place to identify headroom in budgets cross the directorate.
TOTAL FOR DELIVERY 2019/20	**1,781**	

5.2 Digital Strategy

Alongside the detailed proposals above, the Council is developing its Digital Strategy, which forms a significant element of the proposed Capital

Programme. IT has faced significant under investment in recent years, and is key to the delivery of service modernisation.

Likewise, digital working practices are now expected from many residents / clients

Bury needs to transform digitally as a Council, and wider as a Borough to attract growth and investment.

An investment programme of £10 million is proposed for the next three years to bring IT infrastructure up to date and fit for purpose.

The initial focus will be on upgrading end user devices, wifi, and facilitating agile working.

Work will then take place on wider IT infrastructure, and the development of corporate & departmental systems.

6.0 Implications for 2020/21

6.1 The **£550k** support provided from corporate resources through the 2019/20 budget process is "one-off" in nature, and will not be available in setting the 2020/21 budget.

6.2 Proposals which are delayed must therefore be progressed during 2019/20 as outlined at 4.5

7.0 Workforce implications

7.1 None of the proposals are expected to involve any compulsory redundancies at this stage, as expressions of interest (VER) have been received in a number of service areas.

7.2 Should redundancies be required, this process will be undertaken in line with the Council's consultation toolkit.

8.0 Investments

8.1 The key investment requirement relates to the digital strategy (£10m), and this is factored into the Capital Programme report.

9.0 Conclusion / Recommendation

9.1 Cabinet are asked to note the information provided in respect of the Directorate

9.2 Cabinet are requested to endorse the savings plans / workstreams proposed in this report.

List of Background Papers:-

Contact Details:-

Steve Kenyon, Interim Executive Director
Email: s.kenyon@bury.gov.uk

This page is intentionally left blank

REPORT FOR DECISION

Bury COUNCIL

Agenda Item	

DECISION OF:	**OVERVIEW & SCRUTINY COMMITTEE** **CABINET** **COUNCIL**
DATE:	**13 FEBRUARY 2019** **20 FEBRUARY 2019** **20 FEBRUARY 2019**
SUBJECT:	**CAPITAL STRATEGY 2019/20 to 2023/24**
REPORT FROM:	**CABINET MEMBER FOR FINANCE & HOUSING**
CONTACT OFFICER:	**STEPHEN KENYON, INTERIM EXECUTIVE DIRECTOR OF RESOURCES AND REGULATION**
TYPE OF DECISION:	**COUNCIL**
FREEDOM OF INFORMATION/STATUS:	The report is for publication
SUMMARY:	The CIPFA revised Prudential and Treasury Management Code require, for 2019/20, all local authorities to prepare an additional report, a Capital Strategy report, which will provide:- • A high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services, • An overview of how the associated risk is managed, • The implications for future financial sustainability The aim of this capital strategy is to ensure that all elected members on the full council understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
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 Capital Strategy for 2019/20 to 2021/22 It is recommended that Council approves the report. Reasons for the Decision: It is a requirement of the CIPFA Code that the Council receives a Capital 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:	Capital 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: STEVE KENYON**

Chief Executive/ Senior Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	Leader / Finance		
Scrutiny Committee		Committee	Council
Overview & Scrutiny 13/2/19		Cabinet 20/2/19	Council 20/2/19

1.0 INTRODUCTION

1.1 The CIPFA revised Prudential and Treasury Management Code require, for 2019/20, all local authorities to update or prepare a capital strategy report, which will provide the following:-

- A high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services,
- An overview of how the associated risk is managed,
- The implications for future financial sustainability.

1.2 The Bury Council Capital Strategy report forms a key part of the Council's strategic and financial planning framework. The effective management of capital resources is key to the delivery of the Council's priorities and the Capital Strategy provides a mechanism by which capital expenditure and investment decisions are aligned over a medium term (five year) planning period with the Bury Corporate Priorities:

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

1.3 The Council's vision and priorities are based on local trends and issues, the results of public consultation, the views of Team Bury, other local organisations and partnerships, relevant national and regional targets/policies, and the Government's shared priorities for public services.

1.4 The future Capital Strategy of the Council will be shaped both by the Council's service planning process and by the level of funding that the Council can obtain.

1.5 The Capital Strategy links to, and is integral to the success of other Council's strategies and plans with the main ones listed below:

- **The Treasury Management Strategic Strategy -** This report sets out the suggested Strategy for 2019/2020 in respect 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 Investment Property Acquisition Strategy (2014-2018)–** This established a fund to acquire properties as investments (non- treasury investments). Details of the property costs and returns will be given later in this Capital Strategy report.
- **The Medium Term Financial Strategy** (2020-2024) – this will be drafted to support the new Corporate Plan and will set out the overall direction in which the Council's finances will move in the coming three years, identifying key

assumptions and limits within which the Capital Programme for the coming years will be prepared. 2019/20 is a transitional year during which these plans will be prepared. The implications for the Capital Strategy are that the current MTFS will make clear that revenue growth in 2019/20 to 2022/23 will be severely restricted, limiting the Council's ability to fund growth in borrowing, and that budget pressures may mean increasing the extent to which current revenue repairs and maintenance budgets may have to be capitalised. This will reduce the headroom for growth in investment in new assets through traditional routes.

- **The 4 Year Efficiency Plan:** 2016/17– 2019/20
- **The Corporate and Service Asset Management Plans** – these identify the main areas in which gaps exist between investment needs and resources in respect of the Council's main assets.
- **The Housing Review** – this identifies the investment needs, resources and gaps in respect of the Council's housing stock.
- **The Highways Asset Management Plan** - this identifies the investment needs, resources and gaps in respect of the highways and transportation infrastructure.

- **The ICT Digital Transformation Strategy** – this sets out the Council's approach to doing business with it's main customers and identifies investment needs in respect of customer access points and related ICT systems. A system development programme has now been approved for future years which aims to achieve a multi-agency customer contact point
- **The Growth Strategy –** this sets out the Council's ambitions to promote economic growth within specific areas of the borough, over the medium to long term.

2.0 CAPITAL OBJECTIVES

2.1 The Council is committed through its Capital Programme to maintain, improve and develop the Council's assets in accordance with the Asset Management Plan that aims to assist with the achievement of the Council's ambitions and priorities.

2.2 It recognises the key role that the Capital Programme plays in the future delivery of sustainable assets to support the delivery of services to the Borough.

2.4 The specific objectives of the Capital Strategy are:

- To provide a clear framework, within the CIPFS codes and statutory legislation, by which new projects are evaluated to ensure all new funding is targeted at meeting the priorities of the Council;
- Consider options for funding expenditure and how resources may be maximised to generate investment in the area.
- To determine a prudent and affordable framework, whilst minimising or mitigating the on-going revenue implications of any such investment;
- To ensure the strategy has an overall balance of risk on a range of projects over timespan, funding mechanism and rate of return.

2.5 Historically the Capital Programme has been fully funded, therefore requiring no additional borrowing by the Council.

3.0 NON TREASURY INVESTMENTS

3.1 In September 2014 approval was given to the Investment Property Acquisition Strategy (2014-2018), and the establishment of an initial fund to allow the acquisition of properties for investment purposes.

3.2 The council has since acquired 4 properties at a total cost of £8,313k

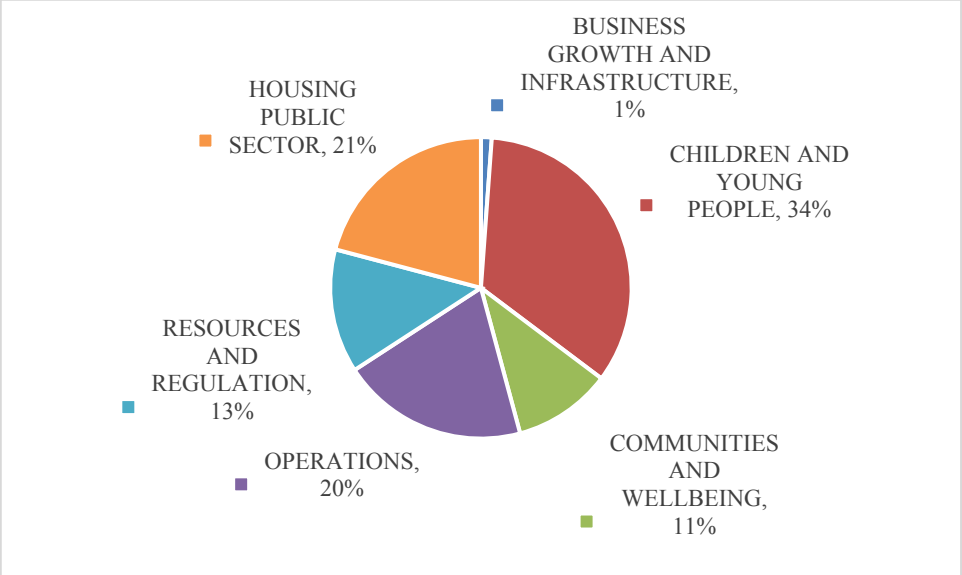
3.3 The following table shows the average rates of return received on these non-treasury investments compared to that received on traditional treasury investments.

Average Rates of Return	2015/16 Actual £'000	2016/17 Actual £'000	2017/18 Actual £'000	2018/19 Estimate £'000
Non Treasury Investments	2.29%	4.24%	5.10%	8.29%
Treasury Investments	0.71%	0.55%	0.29%	0.71%

4.0 CAPITAL INVESTMENT / SPEND PROPOSALS

4.1 The Council's next three to five year Capital Programme is approved and updated by Council in February 2019. The Council ensures that its Capital Programme is affordable and projects over £250k are assessed on the basis of whole life costs as part of an option appraisal.

4.2 A breakdown by Directorate, of the proposed planned Capital Programme expenditure for 2019/20, is shown below:



4.3 Over the longer term there are a number of additional Growth areas linked to the Strategies listed in Paragraph 1. These areas include:-

- Business Growth – developing the economic growth of specific areas of the borough, using both direct and third party investment.
- Highways – investment in the borough's highway and transportation infrastructure.
- Digital Transformation – continued development of the Council's customer access points and related ICT systems

4.4 There is a clear link between long term planning for capital and for treasury management purposes. The council's debt portfolio contains loans that mature up to 2057-58. The debt repayment profile needs to be managed alongside the longer term expectations for capital expenditure and funding forecasts.

5.0 FUNDING APPROACH TO CAPITAL INVESTMENT

5.1 The Capital Programme is funded from five main sources:

- Central Government and City Region grants and contributions
- Capital receipts from the sale of assets
- Borrowing
- Revenue contributions and reserves
- Lease finance

5.2 Central Government Allocations and External Grants and Contributions

5.2.1 Some capital projects are financed through the Allocations received directly from the Government Departments or external grants and contributions which are mostly specific to projects and cannot be used for other purposes. Examples of these would include the allocations for schools, highway maintenance or Disabled Facilities grants from Central Government. Other sources are also contributories such as National Lottery funds, Skills Funding Agency, other agencies and contributions from private sector companies and developers. Grants from European Union were also available subject to bidding on specific projects however it is envisaged that these will cease after Brexit.

New opportunities are expected through the work of the GM Combined Authority and wider GM Devolution activity.

5.2.2 Grants from external organisations are a valuable source of capital finance for the Council and have enabled the Council to realise a substantial number of Capital developments in the past that would otherwise have been unable to progress.

5.2.3 The Council will continue to explore cost effective opportunities for grants from external bodies. However support through grants cannot be accurately predicted and therefore they Council recognises that it cannot depend on this source. The Council will also ensure that exit strategies are prepared in the case of on-going projects funded through external support, in the event of the support being withdrawn.

5.3 Capital Receipts

5.3.1 The Council generates capital resources through the sale of surplus land and buildings. The Council has traditionally relied on a significant number of asset disposals to finance its programme; the majority of the Council's surplus land holdings have been sold in the past to finance investment. It is anticipated that there will be a number of asset disposals over the period of this Strategy although service transformation (e.g. homes for older people, secondary school rationalisation, digital inclusion), the need to invest in alternative service delivery models will result in significant re-investment of capital receipts back into these service areas.

5.3.2 The short to medium term asset sales are forecast to be minimal and as result, the ability of the Council to fund investment from within its own funding remains limited. The Council is forecasting reduced levels of Capital Receipts over the next few years, and as such the element of the Capital Programme funded from Capital Receipts will be at risk of being reduced over the coming years.

5.3.3 The Council will continue to pool both Housing and General Capital Receipts to reflect its commitment to a priority-led approach to the allocation of resources

and continue to maintain a policy of not ring-fencing the use of capital receipts to fund new investment in specific schemes or service areas. However it does recognise that exceptionally there will be instances in which it will be necessary to earmark receipts to particular schemes and if earmarking is necessary then a report will be taken to the Cabinet for consideration of the specific circumstances.

5.4 Borrowing

5.4.1 From 1 April 2004 authorities have had the discretion to borrow in line with the CIPFA Prudential Code which is known as 'Unsupported Borrowing' and outside the Government's control who will no longer support Authorities with a provision in the Revenue Budget to meet the capital financing costs that arise from this level of borrowing.
The Council can make use of the opportunity for the Prudential Borrowing where it is most cost effective and as long as its capital investment plans are affordable, sustainable and prudent. It hence makes a choice on whether revenue resources are used to fund direct service delivery or reserved to finance costs of borrowing for capital investment.

5.4.2 The Council will consider the use of unsupported borrowing in two particular circumstances:

- **Discretionary unsupported Schemes** – where individual services can meet the full borrowing, and other revenue, costs from within existing resources and where the related expenditure meets with Council ambitions/priorities and would not be able to proceed through and other funding source. Any such schemes must be specifically approved by the Cabinet or Council and be supported by a detailed Business Case.

- **Invest to Save schemes** – where pump priming assistance is required but overall, costs are met from additional revenue/capital income or savings generated by the scheme. Pump priming can be funded from unsupported borrowing or from slippage/internal resources. Again, the specific approval of the Cabinet will be needed before any such schemes proceed.

5.5 Revenue Contributions and Reserves

5.5.1 The Council can also use revenue resources to fund capital projects, although revenue budgets have come under increased pressure over recent years thus limiting in a significant measure the revenue contribution resource. There will be no revenue contributions proposed to fund projects in the Capital programme in the next 5 years.

5.5.2 The Council may finance some capital schemes from reserves such as S106 set asides.

5.6 Lease financing

5.6.1 The Council had traditionally used funding by way of leases to mainly acquire or use vehicles and grounds maintenance equipment where the revenue budget did not allow for a full capital repayment and there was a robust business case for the option of leasing to be considered.

5.6.2 The appraisal of financing expenditure through a lease needs to take into account:

- the overall value of expenditure

- the equipment residual value
- to ensure that the life span of equipment matches the funding proposed / term of lease
- the intention of equipment to be replaced as part of a rolling programme that covers the service area or the type of equipment.
- the associated risks with entering into a lease agreement, such as service discontinuation, loss of equipment where compensation is less than the rental payments.

5.6.3 By 2022 the Council will need to replace all of its vehicles and equipment held currently on operational leases and a strategy to cover replacement over the next seven years is being drawn up in the services involved.

5.7 Other possible financing methods

5.6.1 The Council will actively bid for further specific Government grants, for other external funding, for capital flexibilities and the associated resourced for capital funding. The Council is especially committed to securing additional funding jointly with partners. In looking at how capital investment needs can be addressed the Council will actively evaluate externalisation, asset transfers, trusts, joint ventures and other appropriate company structures.

6.0 PRIORITISING, MANAGING, MONITORING, REPORTING AND EVALUATING THE CAPITAL PROGRAMME

6.1 Prioritising Capital Resources

6.1.1 The Council has continued to embrace the concept of Asset Management and the need to ensure that investment within the Borough maintains and develops assets 'fit for purpose'. It will work to ensure that future investment delivers the ambitions and priorities of the Council. It has been long demonstrated that the demands for capital investment tend to exceed available resources. To alleviate this, a robust mechanism is in place to assess schemes against key criteria and assist in decision prioritisation for use of capital resources.

6.1.2 The scrutiny of capital schemes proposed will take place through the combined work of members and officers, with final decisions for budget setting being taken by the full Council in February each year.

6.2 Prioritising Investment - Project Justification

6.2.1 The Council has in place a comprehensive capital bidding mechanism through which information on the strategic fit, partnership working, revenue consequences, funding profile, statutory drivers and critical success factors are collected for all schemes.
In recent years the programme was based on fully funded schemes and a reduced call on Council's own resources through prioritisation methods that are under continuous development.

6.2.2 The capital bidding mechanism ensures that new capital projects are appraised on a consistent basis and are aligned with the priorities set out in the Bury Plan. New capital schemes from the 1st April 2019 will be assessed by completion of a Joint Financial Report (JFR) which will be submitted by departments in accordance with their asset management needs throughout the year, to the Capital Programme

Management Group. The mechanism will ensure across service scrutiny and revenue consequences of all schemes considered as part of assessment process and that each scheme will be affordable and sustainable.

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

- 100% funded schemes
- Discretionary schemes (Invest to Save)

6.2.4 In line with the priority-led approach previously approved by Executive it is assumed that Members will wish to support the inclusion of schemes that fall into the first category, although this assumption is tested regularly and Members are free to exercise discretion over the inclusion of any scheme (or scheme funding).

6.2.5 The second stage involves assessing the extent of any resources that are available to fund new, discretionary schemes and then using a simple quantifiable scoring model that assesses the extent to which schemes reflect national and local priorities, generate revenue savings/costs and lever in additional external resources.

6.2.6 The Council's priorities form the framework for the prioritisation of capital investment for the Capital Programme. By using this prioritisation process on an annual basis to decide the Capital programme for the following year, it allows the review of the whole 3 year rolling capital programme. This review of schemes allows the addition, withdrawal or deferral of capital investment resulting ensuring available capital resources are focused on corporate priorities.

6.2.7 Reviewing the Capital Programme is an on-going process and in the past several years available resources have been reducing constantly due to new identified funding requirements and a slowdown in available suitable for disposal surplus assets. The market value of available for sale assets has also continued a downward trend with most cash strapped Councils offering additional sales of assets that inevitably increases offer against a constant or low demand.

6.2.8 It is imperative that funding which is available should be focussed on a small number of priority areas. Continuous assessment of Council priorities is necessary when bids for new schemes are put forward.

6.2.9 These priority areas will be reconsidered annually as part of the Council's strategic planning process and may change as Council priorities are realigned.

6.2.10 The Asset Management process provides a comprehensive and rigorous assessment of the Council's assets, their potential use and performance which assists in enhancing and strengthening the process of prioritising investments within the Council.

6.2.11 The Council is currently projecting investment gaps in the next two years and beyond. The combined processes of prioritisation, different procurement and delivery options, remain central to delivering this Capital Strategy.

6.2.12 By linking of the outputs included within the JFRs and the matching of investment to the key priorities shown above, it is intended that Members, partners and stakeholders will be able to monitor the successful outcomes arising from capital investment and take appropriate action in future.

6.3 Monitoring and Reporting on the Capital Programme

6.3.1 The Capital Programme is monitored regularly throughout the year by the corporate Capital Programme Management Group, and a summary financial monitoring report is submitted quarterly to the Strategic Leadership Team, the Cabinet and the Resource and Performance Scrutiny Panel to give Members the opportunity to contribute to the effective management of the Programme. This report presents detail of spend, potential re-profiling of the programme and any significant changes in funding assumptions, especially the level of asset disposals which are always critical for the delivery of the Capital Programme.

6.3.2 A risk based approach is taken to the monitoring of capital income and expenditure, using a traffic light approach, as part of the wider 'double traffic' light approach that is taken to the joint monitoring of financial and performance information. Attention is focused on areas of highest risk.

7.4 Whole Life Costing

7.4.1 The revenue implications of all capital projects are included in the JFR, are appraised as part of the project justification process and built into the revenue budget for those scheme included within the Capital Programme.

7.4.2 This approach will ensure the revenue consequences can be built into the budget setting process for the Council on a longer period and avoid shortfalls for the estimated useful life of the asset.

7.4.3 For schemes with a capital cost in excess of £250,000 Whole Life Costing is undertaken as part of the project's option appraisal.

7.4.4 The whole-life costs of a scheme are defined as the costs of acquiring it (including consultancy, design, construction costs and equipment), the costs of operating it and the costs of maintaining it over its whole life through to its disposal. This is defined as the total ownership cost. This cost should include internal resources and overheads, where relevant; they also include risk allowances as required; flexibility (e.g. predicted alterations for known changes in the authority's requirements), refurbishment costs and the costs relating to sustainability and health and safety aspects.

7.4.5 This ensures that all costs are fully recognised and can be built into the Council's Medium and Long term Financial Plan.

7.4.6 Using risk management and project management strategies the Council ensures that major construction contracts are commissioned, managed and outcomes measured to obtain best value for the Council.

8.0 PERFORMANCE MEASUREMENT AND EVALUATION

8.1 The Council has for many years adopted a long-term approach to capital investment, with capital schemes and priorities often being implemented over a number of years.

8.2 The Council will continue to develop a monitoring and evaluation process, which will focus on the results/impact of any investment made (this will be linked to the developing Asset Management process and culture within the Council) and be linked to the Project Initiation Documents (detailed earlier in the report).

8.3 Project evaluation in the form of Gateway reviews will also be undertaken for large Capital Schemes. Gateway Reviews are where ongoing projects are reviewed not only at the start and the end but throughout the projects life to ensure that they remain on target.

8.4 All capital schemes will be managed using the Bury project management methodology and programme management will be undertaken through the Capital Programme Management Group.

8.5 Performance measurement of schemes is monitored annually through the property Performance Indicators (PPI's). They show if projects have been completed within budget an in a timely manner. There is scope to benchmark performance of capital schemes with other Councils and organisations through the PPIs. Further details are set down in the Asset Management Plan

8.6 The Council will also monitor performance internally via the PPI's to ensure that best practice is shared across the Council. This will be reported to Cabinet in the Capital Outturn report.

8.7 In line with the project Management Methodology, post-completion reviews on Capital Programme projects are undertaken to assess whether the intended objectives were achieved and whether potential improvements can be identified for the future

9.0 RISK MANAGEMENT

9.1 There are three main risks recognised as inherent in the Capital Strategy recommended above:

- **Capital receipts are not realised to the level anticipated above**. This is a major risk and is one that has impacted on past programmes. Capital receipts are graded by degree of risk and those included in the Capital Programme for 2019 to 2023 are considered to be low risk. To maintain this low risk it is strongly recommended that schemes reliant on capital receipts do not begin until there is a high degree of certainty that the relevant receipt will materialise.

- **Future rise in Interest Rates**. Planning for Prudential Borrowing can be affected by rises in interest rates making the borrowing option less attractive as a funding option and putting at risk longer term large capital schemes.

- **Schemes need re-profiling from one year to the next**. This is considered a normal feature of capital schemes and can occur for a large number of reasons. The risk can be mitigated by slipping corresponding resources between years and is not felt to be high.

- **Scheme costs increase**. Whilst not unusual, increased costs that can occur due to a number of factors cannot be mitigated without an impact on other schemes within the Programme or an impact on future years' resources. The risk can be reduced by the use of sound costing techniques, effective project management and monitoring schemes using a risk assessment approach.

9.2 The Capital Programme Monitoring Group meets regularly to monitor the Programme and monitoring reports are considered by SLT, Cabinet and Scrutiny Panels on a quarterly basis. Should intervention action be required this will be undertaken immediately and may include a moratorium on other scheme starts,

facilitation of further capital receipts or the use of additional borrowing (subject to revenue resources being available).

9.3 Risk based parameters are incorporated into the monitoring process so that schemes of highest risk (in terms of spending against budget and/or spending profile) receive highest attention.

10.0 KNOWLEDGE, SKILLS AND DECISION MAKING

10.1 Council staff in charge of setting and evaluating the projects included in the capital programme and those in services that benefit from capital investment hold professional qualifications across a range of disciplines: property, finance, legal, who need to demonstrate continuous professional development (CPD) and regularly attend relevant training to maintain their knowledge or learn of new developments and specific skills.

- The projects are established by teams from a range of professionals across the council as required.
- If appropriate, professional advice is also sought externally
- The Council will ensure that external specialist advice and guidance will be available in relation to major capital projects or acquisition for commercial property for investment purposes

10.2 The Council continues to support its staff with internal and external training and offer similar support to members. This is to ensure that members have up to date knowledge and the required expertise to enable them to understand and challenge capital and treasury proposals and allow for informed decisions to be made.

11.0 SUMMARY

11.1 The Council will continue to prioritise its capital spend in accordance with the Corporate Objectives and its Asset Management Plan.

In order to achieve these priorities and continue with the required level of capital investment it is recognised that commitment to partnership working will play a significant part to the Council's Capital programme. The Council has already welcomed close partners in the quest of delivering a whole rounded service to the borough such as the Bury CCG and will continue to align its services to those organisations working toward similar aspirations.

New opportunities for accessing capital finance and future funding for investment need will continue to be explored and expanded with the resultant investment driven to achieve the necessary support for the delivery of local services.

12.0 EQUALITY & DIVERSITY

12.1 An initial assessment has been undertaken and it is concluded that there will be no negative impact from this report.

Councillor Eamonn O'Brien
Cabinet Member for Finance and Housing

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

Steve Kenyon, Interim Executive Director of Resources & Regulation,
Tel: 0161 253 5002
e-mail:s.kenyon@bury.gov.uk

This page is intentionally left blank

REPORT FOR DECISION

Bury COUNCIL

Agenda Item

DECISION OF:	**OVERVIEW & SCRUTINY COMMITTEE** **CABINET** **COUNCIL**
DATE:	**13 FEBRUARY 2019** **20 FEBRUARY 2019** **20 FEBRUARY 2019**
SUBJECT:	**CAPITAL PROGRAMME 2019/20 to 2021/22**
REPORT FROM:	**CABINET MEMBER FOR FINANCE & HOUSING**
CONTACT OFFICER:	**STEPHEN KENYON, INTERIM EXECUTIVE DIRECTOR OF RESOURCES AND REGULATION**
TYPE OF DECISION:	**COUNCIL**
FREEDOM OF INFORMATION/STATUS:	The report is for publication
SUMMARY:	The report sets out the proposed Capital Programme for the financial years 2019/2020 to 2021/22 and an explanation of the funding methods and available resources. Further information on the availability of Council's own resources suggested to be used to support the programme is detailed in the Treasury Management Report and Strategy presented as separate reports to Cabinet and Council.
OPTIONS & RECOMMENDED OPTION	It is recommended that Overview and Scrutiny Committee notes the report; It is recommended that Cabinet notes and approves, for onward submission to Council to consider the report and determine all matters relating to the Capital Programme for 2019/2020 and future years at its meeting on 20th February 2019.

	Council is recommended to: 1. Approve the Capital Programme for 2019/20 and future years, shown in Appendix 1; 2. Approve the proposed financing of the Capital Programme; Reasons for the Decision: It is a requirement of the current financial regulations that the Council approves an annual capital programme alongside its revenue budget.

IMPLICATIONS:	
Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? Yes
Statement by the S151 Officer: Financial Implications and Risk Considerations:	The financial implications of the budget and the risks associated with the calculations and strategy are set out in the report.
Statement by Interim Executive Director of Resources & Regulation:	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. Additional resource implications are detailed at paragraph 3.3 and 3.4.
Health & Safety implications:	There are no direct Health & Safety implications arising from this report.
Equality/Diversity implications:	No
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.
Legal implications:	The Council has a legal obligation to pass its budget and Council Tax resolutions by March 2019.
Wards Affected:	All
Scrutiny Interest:	Overview & Scrutiny Committee

TRACKING/PROCESS **EXECUTIVE DIRECTOR: STEVE KENYON**

Chief Executive/ Senior Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	Leader / Finance		
Scrutiny Committee		Committee	Council
Overview & Scrutiny 13/2/19		Cabinet 20/2/19	Council 20/2/19

1.0 BACKGROUND

1.1 This report outlines the proposed approach in respect of the Capital Programme 2019/20 to 2021/22 and sets out a strategy recommended by the Strategic Leadership Team and endorsed previously by the Cabinet.

2.0 PROGRESS AGAINST THE 2018/19 PROGRAMME

2.1 Details of spend against the 2018/19 Programme are set out in the month 9 Corporate Finance and Performance Monitoring Report presented to the Cabinet on 20th February 2019.

3.0 CAPITAL RESOURCES FOR 2019/20

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

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

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 For reference, each additional £1m of borrowing would currently attract an annual revenue budget implication of £0.025m for the duration of the loan.

3.5 The Settlement for 2019/20 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 – under the Prudential Code.

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

3.7 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 2019/20

4.1 In line with last year's Capital Programme, and the Council's Medium Term Financial Strategy, it is recommended that the 2019/20 – 2021/22 Capital Programme is restricted to fully funded schemes, schemes which are self-financing based upon a viable, proven "Invest to Save" Business Case and schemes directed by compliance and the adopted Growth Strategy. 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	**2019/20 £**	**2020/21 £**	**2021/22 £**	**Total £**
Gross Cost	**47,083,675**	**15,141,291**	**11,200,000**	**73,424,966**
Financed by:				
Grants / External Funding	23,787,386	1,423,169	0	25,210,555
HRA Headroom reserve	9,830,000	9,830,000	10,000,000	29,660,000
Earmarked Reserves	1,360,157	1,188,122	0	2,548,279
Capital Receipts Reserve	783,430	0	0	783,430
Borrowing	11,322,702	2,700,000	1,200,000	15,222,702
Total	**47,083,675**	**15,141,291**	**11,200,000**	**73,424,966**

5.2 The table above shows a limited programme for 2020/21 and 2021/22 at this stage due to the absence of longer term funding information on government grants.

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. The programme is prepared on the basis that capital receipts are only used once they have been generated and payment received.

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 regular basis and management reports are considered by the Strategic Leadership Team, Cabinet 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).

7.0 EQUALITY & DIVERSITY

7.1 An initial assessment has been undertaken and it is concluded that there will be no negative impact from this report.

Councillor Eamonn O'Brien
Cabinet Member for Finance and Housing

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

Steve Kenyon, Interim Executive Director of Resources & Regulation,
Tel: 0161 253 5002
e-mail:s.kenyon@bury.gov.uk

APPENDIX 1

Capital Programme 2019/20 - 2021/22

Project Title	3 YEAR TOTALS	2019/2020				2020/2021			2021/2022		
	Gross Cost	Bfwd from 1819 (estimate)	Gross Cost	External	Net Cost to Council	Gross Cost	External	Net Cost to Council	Gross Cost	External	Net Cost to Council
	£	£	£	£	£	£	£	£	£	£	£
BUSINESS GROWTH AND INFRASTRUCTURE											
	0				0			0			
Planning schemes (various)	75,294	75,294		75,294	0			0			
Greater Manchester Full Fibre Project	469,000		469,000	469,000	0			0			
BUSINESS GROWTH AND INFRASTRUCTURE	**544,294**	**75,294**	**469,000**	**544,294**	**0**	**0**	**0**	**0**	**0**	**0**	
CHILDREN AND YOUNG PEOPLE											
Devolved Formula Non-VA schools	460,963		460,963	460,963	0			0			
Basic need	4,954,842		4,954,842	4,954,842	0			0			
School Condition Allocation	2,299,158		2,299,158	2,299,158	0			0			
Devolved Formula	830,665	830,665		830,665	0			0			0
NDS Modernisation Including New Pupil Places	5,597,023	5,597,023		5,597,023	0			0			0
NDS Modernisation Including New Pupil Places	1,000,000	1,000,000		1,000,000	0			0			0
NDS Modernisation Including New Pupil Places	98,560	98,560		98,560	0			0			0
NDS Modernisation Including New Pupil Places	710,228	710,228		710,228	0			0			0
Access Initiative	5,671	5,671		5,671	0			0			0
Early Education Fund - 2yr Old	99,504	99,504		99,504	0			0			0
CHILDREN AND YOUNG PEOPLE	**16,056,614**	**8,341,651**	**7,714,963**	**16,056,614**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
COMMNUNITIES AND WELLBEING											
Environmental Works	54,168	54,168		54,168	0			0			0
Parks	108,136	108,136		108,136	0			0			0
Adult Personal Social Services Capital Allocation - Cor	910,000		455,000	455,000	0	455,000	455,000	0			0
Social Care Single Capital Pot	474,044	474,044		474,044	0			0			0
Grant Funded Major Adaptations - Private Housing - Di	1,936,338		968,169	968,169	0	968,169	968,169	0			0
DFGs	1,135,543	1,135,543		1,135,543	0			0			0
Housing schemes	1,172,702	1,172,702		1,172,702	0			0			0
Neighbourhood working	600,000	600,000		600,000	0			0			0
COMMUNITIES AND WELLBEING	**6,390,931**	**3,544,593**	**1,423,169**	**4,967,762**	**0**	**1,423,169**	**1,423,169**	**0**	**0**	**0**	**0**
OPERATIONS											
LTP H/ways Capital Maintenance	1,640,000		1,640,000	1,640,000	0			0			0
HWs Maintenance - DfT Incentive Element	342,000		342,000	342,000	0			0			0
LTP H/ways Capital Maintenance	76,848	76,848		76,848	0			0			0
H/ways network (Council Approved £10m in 17/18)	2,750,000		2,750,000		2,750,000			0			0
H/ways network (Council Approved) re-profiled to 19/	1,500,000	1,500,000		1,500,000	0			0			0
Flood Repair & Defence	1,466,000	1,466,000		1,466,000	0			0			0
Summerseat Bridge CPO	650,000		650,000	650,000	0			0			0
Radcliffe and Redvales Flood	2,000,000		1,000,000	1,000,000	0	1,000,000	1,000,000	0			0
OPERATIONS	**10,424,848**	**3,042,848**	**6,382,000**	**6,674,848**	**2,750,000**	**1,000,000**	**1,000,000**	**0**	**0**	**0**	**0**

Capital Programme 2019/20 - 2021/22

Project Title	3 YEAR TOTALS	2019/2020				2020/2021			2021/2022		
	Gross Cost	Bfwd from 1819 (estimate)	Gross Cost	External	Net Cost to Council	Gross Cost	External	Net Cost to Council	Gross Cost	External	Net Cost to Council
	£	£	£	£	£	£	£	£	£	£	£
RESOURCES AND REGULATION											
ICT various (OD approved - free up revenue)	294,075		146,975	146,975	0	147,100	147,100	0			
ICT various (OD approved - no call on revenue reserv	254,204		213,182	213,182	0	41,022	41,022	0			
IT Investment Digital Strategy	9,800,000		5,900,000		5,900,000	2,700,000		2,700,000	1,200,000		1,200,00
RESOURCES AND REGULATION	**10,348,279**	**0**	**6,260,157**	**360,157**	**5,900,000**	**2,888,122**	**188,122**	**2,700,000**	**1,200,000**	**0**	**1,200,00**
HOUSING PUBLIC SECTOR											
Housing programme Major works (HRA funded)	29,660,000		9,830,000	9,830,000	0	9,830,000	9,830,000	0	10,000,000	10,000,000	
HOUSING PUBLIC SECTOR	**29,660,000**	**0**	**9,830,000**	**9,830,000**	**0**	**9,830,000**	**9,830,000**	**0**	**10,000,000**	**10,000,000**	
FULLY FUNDED SCHEMES TOTAL	**73,424,966**	**15,004,386**	**32,079,289**	**38,433,675**	**8,650,000**	**15,141,291**	**12,441,291**	**2,700,000**	**11,200,000**	**10,000,000**	**1,200,00**
	0			0	0		0	0		0	0
I2S SCHEMES TOTAL	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
PROPOSED CAPITAL PROGRAMME TOTAL	**73,424,966**	**15,004,386**	**32,079,289**	*38,433,675*	*8,650,000*	**15,141,291**	*12,441,291*	*2,700,000*	**11,200,000**	*10,000,000*	*1,200,000*

This page is intentionally left blank

REPORT FOR DECISION

Bury COUNCIL

DECISION OF:	Cabinet
DATE:	20th February 2019
SUBJECT:	Dedicated Schools Grant (DSG) 2019-2020
REPORT FROM:	Councillor Briggs - Cabinet Member for Children, Young People and Culture Councillor O'Brien – Cabinet Member for Resources and Regulation
CONTACT OFFICER:	Karen Dolton, Executive Director, Children, Young People and Culture Stephen Kenyon, Interim Executive Director, Resources and Regulation Steven Goodwin, Head of Strategic Business and Finance, Children, Young People and Culture
SUMMARY:	To set out the financial position of the Dedicated Schools Grant (DSG) for 2019/20 in respect to Schools, Central Schools Services, Early Years and High Needs blocks, with details of actions required in respect to the High Needs deficit recovery requirements.
RECOMMENDATION:	Cabinet is asked to consider the findings and agree to the recommendations of the Schools' Forum outlined in the report, and also to agree to the actions proposed to achieve DSG High Needs deficit recovery in line with Department for Education (DfE) requirements.

IMPLICATIONS:	
Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? Yes No
Statement by the S151 Officer: Financial Implications and Risk Considerations:	This report sets out the financial position in respect of the DSG for 2019/20. Plans to recover the accumulated deficit on the DSG are outlined at section 3.6 of the report. This action is necessary to return to a balanced position.
Statement by Interim Executive Director of Resources & Regulation (including Health and Safety implications)	There are no wider resource implications

Equality/Diversity implications:	These proposals are in line with equality and diversity policies.
Considered by Monitoring Officer:	The Council has a continuing responsibility for financial regularity in schools and the Section 151 Officer has set out the necessary arrangements for local financial and management controls in accordance with legislative provisions and guidance.
Wards Affected:	None

1.0 Dedicated Schools Grant (DSG)

1.1 The DSG is a ring-fenced grant provided to local authorities and can only be spent on schools and academies and specified areas determined by the Department for Education (DfE) and the Education & Skills Funding Agency (ESFA) in accordance to Statutory Instruments including the Schools & Academies Finance (England) Regulations (2018) and Section 251 (Apprenticeship, Skills, Children & Learning Act 2009) Budget Tables issued each year.

1.2 The DSG is split into four blocks, with only the Schools Block ring-fenced to spending by schools and academies:

- Schools
- Central Schools Services
- Early Years
- High Needs

1.3 In September 2017, the DfE confirmed the introduction of the National Funding Formula (NFF) for Schools and Central Schools Services. Following consultation with all schools and academies Bury applied the NFF with effect from 1 April 2018 with the Secondary sector opting to move directly to the NFF unit values, whereas the Primary sector, given that several will see reduced budgets under the NFF, opted for a phased transitional approach over three financial years 2018/19, 2019/20 and 2020/21.

1.4 For information, 'unit values' relate to the individual school funding formula components used to determine a schools' annual budget allocation, these unit values cover;

- **<u>Pupil-led funding:</u>**
  - Age weighted pupil unit (AWPU)
  - Deprivation: using Free School Meals (FSM), Free Schools Meals Ever-6 (for any pupil eligible for FSM at any time in the last 6 years) and Income Deprivation Affecting Children Indices (IDACI)
  - English as an Additional Language (EAL)
  - Low Prior Attainment (LPA)
  - Pupil Mobility

- **<u>School-led funding:</u>**
  - Premises Lump Sum

The unit values recommended for 2019/20, including a comparison to previous years (2017/18 and 2018/19) together with an indicative projection for 2020/21 are demonstrated in the table at 3.1 below.

1.5 The Central Schools Services Block was created in April 2018 and contributes to funding local authority responsibilities previously funded by the Education Services Grant (ESG) which has been disestablished.

1.6 The Early Years equivalent to the NFF, based on the Early Years Single Funding Formula (EYSFF) operating since 2007, was introduced and applied by Bury to all eligible Providers with effect from 1 April 2017. The Early Years block provides the funding to be allocated to both Maintained and Private, Voluntary and Independent (PVI) Early Years providers together with central Early Years support services and covers the provision of 2, 3 and 4 year olds including those eligible to access the 30 hours of entitlement.

1.7 The High Needs National Funding Formula is scheduled to be fully implemented by 2022/23. To ease the transitional arrangements the DfE have included a 'funding floor' to protect current spending levels within local authorities. This provides almost £5 million of funding protection to Bury's High Needs block.

1.8 The following table summarises the DSG available to Bury's schools and academies, central schools support services, early years providers and high needs areas including in and out of borough providers.

Dedicated Schools Grant	**2019/20 £m's**	**2020/21 £m's (estimate)**
Schools Block	122.867	124.580
Central Schools Services Block	0.772	0.908
Early Years Block	13.914	14.000
High Needs Block	30.431	30.881
Total DSG	**167.980**	**170.370**

1.9 Over and above the DSG Blocks, Cabinet are requested to note the significant additional external funding grants available to schools & academies each year that are allocated based on pupil numbers, academic performance and other characteristics of pupils on roll for example; age, deprivation and/or Looked after Children (LAC) eligibility.

1.10 The following table summarises the additional external funding available to schools and academies, these are estimates based on 2018/19 actuals and are subject to January / October 2019 pupil census and other data updates:

External Funding for Schools and Academies	**2019/20 £m's**
Pupil Premium Grant (PPG)	9.039
Universal Infant Free School Meals Grant (UIFSM)	2.360
Primary PE & Sport	1.170
Year 7 Catch Up Grant	0.195
Teachers Pay Grant (full year effect) *	1.125
Devolved Formula Capital (DFC)	0.651
Total External Funding	**14.540**

** The Teachers Pay Grant is provided to schools and academies to cover increased costs of nationally determined pay awards above 1% but does not cover costs associated to teachers employed directly in local authority central support services.*

1.11 In addition to the total Dedicated Schools Grant (DSG) the DfE have recently announced they will provide a **Teachers Pension Grant** to schools and academies to fund the significant increase to their employer's pension contributions applicable from September 2019. Assuming the pension contribution increase, circa 40%, is fully funded this may provide a further £6 million (estimated) in a full financial year.

1.12 Similarly to the Teachers Pay Grant the Teachers Pension Grant will simply offset the increased payroll cost pressures faced by schools and academies.

1.13 Unlike the Teachers Pay Grant the Department for Education (DfE) have included teachers employed directly by the local authority in central support services in their proposals on the distribution of the grant, currently subject to consultation.

2.0 Strategic Priorities

2.1 The Council is required to ensure its statutory obligations are met in respect to its responsibilities for managing and reporting on the Dedicated Schools Grant in accordance to relevant legislative provisions.

2.2 In accordance with statutory requirements all schools and academies have been consulted on the funding formula aspects for 2019/20. The Schools' Forum have considered the allocation of Schools Block and have made their recommendations which are recorded in their minutes of 16 October 2018, 20 November 2018 and 15 January 2019.

2.3 The Council is required to approve the formula funding values for the allocation of the Schools Block to mainstream schools and academies and to ratify the recommendations of Schools' Forum.

3.0 Key Issues, Budget Pressures and Recovery Plans

3.1 The schools and academies funding unit values as recommended by Schools' Forum are shown in the table below and highlighted for 2019/20:

Factor	Sub-level	2017/18	2018/19	**2019/20**	2020/21*
Basic Entitlement Age Weighted Pupil Unit (AWPU)	Primary	3,080	2,970	**2,858**	2,747
	Key Stage 3	3,750	3,860	**3,860**	3,860
	Key Stage 4	4,500	4,380	**4,380**	4,386
Deprivation		**Amount per pupil (£)**			
Free School Meals - Ever 6	Primary	0	250	**395**	540
	Secondary	0	785	**785**	785
Free School Meals	Primary	65	190	**315**	440
	Secondary	5	440	**440**	440
Income Deprivation Affecting Children Indices (IDACI) Primary	IDACI F	200	200	**200**	200
	IDACI E	300	281	**260**	240
	IDACI D	400	387	**373**	360
	IDACI C	600	531	**460**	390
	IDACI B	800	675	**547**	420
	IDACI A	1,000	861	**718**	575
Income Deprivation Affecting Children Indices (IDACI) Secondary	IDACI F	400	290	**290**	290
	IDACI E	500	390	**390**	390
	IDACI D	600	515	**515**	515
	IDACI C	800	560	**560**	560
	IDACI B	1,000	600	**600**	600
	IDACI A	1,200	810	**810**	810
Additional Education Needs Factors		**Amount per pupil (£)**			
Low cost, high incidence SEND	Low Prior Attainment	120	429	**726**	1,022
		900	1,550	**1,550**	1,550
English as an Additional Language (EAL)	Primary	65	214	**365**	515
	Secondary	250	1,385	**1,385**	1,385
Mobility	Primary	500	500	**500**	500
	Secondary	0	0	**0**	0
School-Led Factors		**Amount per School (£)**			
Lump Sum	Primary	125,000	125,000	**125,000**	110,000
	Secondary	125,000	110,000	**110,000**	110,000

* The values shown at 2020/21 represent the National Funding Formula (NFF) values that will be applied to schools and academies formula budget allocations with effect from April 2020 and subject to change as notified by the DfE.

3.2 Early Years funding to providers is based on hourly rates for eligible 2, 3 and 4 year olds accessing their free entitlement to early education. The local authority is required to comply to minimum 'passporting' of the Early Years block direct to providers so that at least 95% of funding is allocated out.

Any retained funding may only be used to contribute to in-year variations in eligible pupil numbers and may support the costs of administering the 2, 3 and 4 year old formula allocation and eligibility checking processes.

The hourly funding rate applied to 3 and 4 year olds must also meet a minimum level of an average across all providers of at least £4 per hour. The amount per hour per provider may vary depending on a mandatory Deprivation element included within the individual settings hourly rate as determined by their pupils on roll according to the pupils' post codes and associated levels of deprivation plotted onto the Income Deprivation Affecting Children Indices (IDACI).

The 2 year old funding rate allocated is higher in order to contribute to funding the greater minimum staffing ratios required and associated costs of supporting 2 year old children.

In accordance with the statutory requirements Council is required to approve the hourly rates applicable with effect from 1 April 2019 as follows:

- 2 year olds: £5.20 per hour
- 3/4 year olds: £4.05 per hour (average)

3.3 High Needs is where the greatest financial pressures impact on the Dedicated Schools Grant (DSG). There is an accumulated deficit that has reached significant levels that is being addressed as a matter of priority.

The High Needs deficit is demonstrated in the following table:

DSG Deficit	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**
	£000's	£000's	£000's	£000's	£000's	£000's
Deficit Totals c/f	769	2,719	4,538	6,028	6,978	11,127

The deficit of over £11 million was reported as part of the final accounts for 2017/18 however it should be noted due to increased referrals already in 2018/19 the deficit is now at £13 million and it is likely the deficit may increase to around £15 million if no action is taken.

3.4 The deficit has accrued for a number of reasons including:

- Transfer of responsibilities for SEND requirements including funding new burdens for Post-16 pupils in colleges and independent settings from the DSG without the appropriate level of funding allocated by the Department for Education (DfE).
- Significant increased numbers of pupils being identified with SEND and requiring support both in Mainstream and Specialist provision.
- Lack of specialist capacity within Bury to support all pupils with SEND resulting in significant numbers of pupils requiring to be placed out of borough in high cost independent provision. Specifically affecting pupils with Social Emotional and Mental Health (SEMH) and high-performing Autistic Spectrum Disorder (ASD) needs.
- A culture of lack of inclusion within Bury's schools and academies resulting in higher than the national average exclusions of pupils that in many cases has resulted in high cost out of borough placements.

- Lack of specialist support delivered directly into schools to ensure they are trained and able to support all pupils on roll with or without SEND.
- The Mandatory Cost Threshold for schools to meet the first £6,000 costs of support for all pupils with SEND from their own delegated budgets not being applied with effect from April 2013. This was due to the complexities of the school funding formula that effectively could not target the appropriate levels of funding to the schools with the greatest number of SEND pupils on roll.
- Lack of capacity and joined up working across SEND support services and other relevant professional services, including Health and Care sectors, to ensure schools within Bury are appropriately supported for all pupils with SEND. Also a lack of capacity to quality assure external placements and ensure progress of pupils and support requirements are being delivered.
- Lack of funding recognition from the DfE in terms of High Needs block demand increases required for growth in numbers of SEND referrals and associated high cost placements. The High Needs block is only uplifted in respect to general annual population growth in the area and does not recognise actual high costs associated with increased SEND population.

3.5 In order to address the financial situation, together with addressing the recommendations of the area SEND review undertaken by Ofsted and as outlined in Bury's Written Statement of Action, the local authority has worked constructively in coordination and cooperation with Schools, Schools' Forum, Parents, Pupils, SEND/Health/Care professionals, Elected Members represented on the SEND Partnership Board, and with external Strategic Partners on the following developments:

- Applied the Mandatory Cost Threshold with effect from April 2018 in order that schools meet the first £6,000 of support costs for SEND pupils
- Created a bespoke Costed Provision Mapping toolkit for schools in order for them to record and evidence the interventions they have delivered in school for individual eligible pupils which is reviewed by a SEND Panel to ensure no additional funding is provided to schools if they cannot demonstrate their compliance to the Mandatory Cost Threshold.
- Supported schools and academies in their statutory undertakings as per the SEND Code of Practice, ensuring cycles of Assess, Plan, Do, Review are applied consistently, monitored and recorded in Provision Maps and in relevant individual pupils records, including for any updates required to Education, Health and Care Plans (EHCPs)
- With support of local authority colleagues and with positive developments at individual school level, the interim Secondary Partnership arrangements has seen the fantastic outcome of no permanent exclusions of Bury pupils from Bury schools this academic year.
- A thorough review of the spending on the High Needs block has been undertaken to ensure any services receiving contributions look to seek alternative funding arrangements, including trading with schools for non-statutory functions.
- An intensive review of local authority working practices has been undertaken and changes put in place in respect to dealing effectively on any potential SEND referrals at the earliest opportunity with much clearer communication across all relevant colleagues and services established.

- Commissioned a strategic SEND review by external partners (SEND4Change), funded by the DfE, to focus on spend as well as assisting to address the Ofsted recommendations. This strategic review highlighted seven focus areas to improve the way Bury delivers and supports its SEND priorities – all of which will return financial benefits, address sufficiency and capacity in Bury's provision, and establish a culture of inclusion.

  For information the seven strategic financial priorities cover:

  - Notional SEND Funding – linked to Mandatory Cost Threshold
  - Funding pupils at SEND Support level without the need for an Education Health and Care Plan (EHCP) – linked to schools evidencing using Costed Provision Mapping
  - Reviewing Alternative Provision for SEMH
  - Reviewing capacity of Bury's Special School places and SEND units across the borough
  - Reviewing Independent Non-Maintained out of Borough placements and referrals
  - Enhancing the Early Years SEND offer, linking to Early Help / Team Around the School approaches.
  - Reviewing provision for high-performing ASD pupils
- To ensure the delivery of priorities and the issues outlined are addressed the local authority has established Inclusion Partnerships with all schools. Two Primary Inclusion Leads have been appointed with a Secondary Inclusion Lead appointment being imminent.
- A critical aspect to secure the deficit recovery is to stem the flow of out-borough referrals through various measures outlined in this paper. The result of which will see significant cost savings which will be invested into the deficit recovery and into the local authority SEND priorities, reliant on Education, Health and Social Care integration.
- Bury is involved in the Greater Manchester (GM) SEND review of Independent non-maintained (INM) settings to benchmark the quality of provision and explore new models of commissioning.
- To ensure the capacity is available within the local authority area to enable maximum in-borough placements the following has been undertaken:
  - Doubling of the SEND Unit places for Early Years ASD pupils located at Hoyle Nursery School.
  - Installation of a specialist inclusion unit located at St Paul's Primary school supporting pupils across the North Inclusion Partnership who require interventions, consultations and bespoke support from multi-agency professionals.
  - Capital investment into increasing the physical size of Bury's Millwood and Elms Bank special schools.
  - Local Authority worked in partnership with Millwood and Elms Bank on expanding intake numbers making effective use of classrooms and alternative buildings.
  - An application to the DfE for a Special Free School within Bury to cater for up to ninety pupils with high-performing ASD needs has been submitted. A decision is expected from the DfE imminently.

- An in-depth review of Bury's Special School formula funding mechanism has been undertaken in conjunction with SEND4Change as strategic partners, Special Schools Headteachers and senior staff, SEND/Health professionals and Financial Services colleagues in order to ensure a revised formula is implemented with effect from 1 April 2019.
- This review and the revised formula will remove the historical funding basis and ensure Special Schools are funded appropriately with an emphasis on 'banding' based on the specific SEND needs and levels of support required on an individual child basis. The new system will be moderated by the schools themselves with professional oversight from local authority SEND colleagues.
- To support the review of Alternative Provision the local authority has reconfigured the Secondary Pupil Referral Unit (PRU) to increase its capacity for supporting pupils with SEMH needs, with a link directly to developing the Alternative Provision offer via the Secondary School Partnerships.
- A Multi-Disciplinary Team (MDT) around SEND is operational and is making significant headway into ensuring schools are supported at the earliest opportunity with SEND children facing exclusion. This includes ensuring targeted specialist support and interventions are delivered, including targeted support from Healthy Young Minds (HYM), health and care professionals as required. The MDT approach has so far resulted in twenty pupils not being placed out of Borough this academic year. To strengthen this approach an integrated 14-25 inclusion pilot will assist in any transitions.
- Bury's Virtual School and Primary Hub offer a bespoke package of interventions, assessments and training to schools and academies across the Inclusion Partnerships to ensure children and young people are supported directly in their educational settings.
- To assist in balancing the High Needs deficit within a realistic timeframe the local authority has agreed with schools, through consultation and with unanimous recommendation of Schools' Forum, an agreement to transfer funds from the Schools block to the High Needs block will be actioned in 2019/20. This is subject to Secretary of State for Education approval expected by the end of January 2019.
- Additionally the DfE announced an increase to the High Needs block funding for 2018/19 and 2019/20. This will be used to contribute to the deficit recovery and to enhance the inclusive practices being delivered.
- Schools' Forum unanimously agreed, at their meeting of 15 January 2019, that the additional High Needs funding will not be used to offset their commitment to transfer funding from the Schools block to the High Needs block.

3.6 **Deficit recovery plan**

The planned result of all of the actions actively being undertaken as outlined in this paper can be demonstrated financially in the proposed deficit recovery schedule below.

This recovery plan has been accepted in principle by the Department for Education (DfE) as an initial plan subject to further monitoring and evidence linked to actual delivery of the SEND priorities related to it.

The deficit recovery plan to fully recover the estimated deficit that may be accrued for 2018/19 is demonstrated in the following table:

Year	2018/19	2019/20	2020/21	2021/22	Totals
Schools Mandatory Cost Threshold (1st £6,000)	-2,25	-2.25	-2.25	-2.25	-9.0
SEN Support & Inclusion – reduced out of borough placements	-0.4	-1	-1.4	-1.4	-4.2
SEN Support & Inclusion – Annual Service Efficiencies / Savings	0.0	-0.2	-0.2	-0.2	-0.6
DSG Schools Block Transfer	0.0	-0.9	0.0	0.0	-0.9
Additional High Needs Funding	-0.45	-0.45	0.0	0.0	-0.9
TOTAL RECOVERY *	**-3.10**	**-4.80**	**-3.85**	**-3.85**	**-15.6**

* Subject to change with several caveats including pupil numbers, requests for EHCPs, Capacity / Sufficiency of Provision, Inclusion, School Funding Allocations and future High Needs Funding allocations.

4.0 CONCLUSION

4.1 The DSG report is a key report for the Council detailing the allocation and pressures being faced together with the confirming the significant actions that are being delivered to ensure the DSG is recovered to a sustainable balanced position whilst SEND priorities are addressed.

Members are asked to consider the findings of the report, agree to any Schools' Forum recommendations in respect to formula funding and to be aware of the key issues raised and the challenges requiring continued support to address both the financial and associated SEND delivery strategies.

List of Background Papers:-

Contact Details:-
Karen Dolton, Executive Director, Children, Young People and Culture
Email: K.Dolton@bury.gov.uk

Stephen Kenyon, Interim Executive Director, Resources and Regulation
Email: S.Kenyon@bury.gov.uk

Steven Goodwin, Head of Strategic Business & Finance, Children, Young People & Culture
Email: s.goodwin@bury.gov.uk

This page is intentionally left blank

Agenda Item 7

Bury COUNCIL

REPORT FOR DECISION

MEETING:	**OVERVIEW AND SCRUTINY COMMITTEE** **CABINET** **COUNCIL**
DATE:	**13 FEBRUARY 2019** **20 FEBRUARY 2019** **20 FEBRUARY 2019**
SUBJECT:	**DRAFT HOUSING REVENUE ACCOUNT 2019/20**
REPORT FROM:	**CABINET MEMBER FOR FINANCE AND HOUSING**
CONTACT OFFICER:	**STEPHEN KENYON, INTERIM EXECUTIVE DIRECTOR OF RESOURCES AND REGULATION**
TYPE OF DECISION:	**COUNCIL**
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain
SUMMARY:	The report details the proposed Housing Revenue Account for 2019/20 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 2019/20 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 2019/20, 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) approve that the first week of 2019/20 be an additional non-collection week as 2019/20 is a 53 week year. (d) increase Garage rents by 3.4% from the first rent week in April. (e) increase Sheltered Management and Amenity Charges by 3.4% from the first rent week in April. (f) approve that Sheltered support charges remain unchanged from the first rent week in April. (g) reduce Sheltered heating charges by between 5% to 15% on an individual scheme basis as set out in section 3.4; reduced charges to apply from the first rent week in April. (h) reduce Furnished Tenancy charges by 10% from the first rent week in April. (i) increase pitch fees at the Fernhill Caravan Site by 3.4% 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 Interim Executive Director of Resources & Regulation	The report fully details the Housing Revenue Account for 2019/20.
Equality/Diversity implications:	No
Considered by Monitoring Officer:	Yes
Are there any legal implications?	The relevant consultation and legal process for the review of rents, charges and pitch fees must be followed in conjunction with Legal Services before any changes take place
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
13 February 2019	20 February 2019		20 February 2019

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.

1.4 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; this is currently being reviewed in light of the review of Housing Services carried out by Savills.

1.5 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 2018/19 is £13,058,600.

1.6 For 2019/20 the HRA is expected to have an average stock of 7,832 social rent formula dwellings. Given the current level of activity the HRA estimates have been prepared on the basis of 60 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.

1.7 For 2019/20 the HRA is expected to have an average stock of 76 affordable rent dwellings plus 8 shared ownership dwellings (the shares owned by the HRA will depend on the share bought by the individual purchasers).

1.8 Approval has been given for the HRA to acquire 13 empty properties; at the time of writing 8 have been acquired; the intention is that the remaining 5 will be acquired and refurbished by the end of 2019/20. These properties are let at affordable rents i.e. 80% of the assessed Market Rent on an individual property basis. The properties are being funded through a combination of Homes and Communities Agency (HCA) grant (now Homes England), S106 monies and HRA reserves.

1.9 Construction of the new 60 apartment Extra Care Scheme in Bury has been completed and letting of the Peachment Place apartments is underway. This scheme, which supports the Housing Strategy and the social care agenda, has been funded through a combination of HCA grant and HRA borrowing. The apartments will be let at affordable rents.

1.10 Construction has also been completed on the Mayfair Avenue ex-garage sites; this has provided 8 houses which are currently being marketed on a shared ownership basis. The scheme is being funded through HCA grant, HRA borrowing and sale proceeds once the initial shares are purchased.

1.11 5 potential development sites were submitted to Homes England as part of bidding for additional HRA borrowing approval however the HRA Debt Cap has subsequently been abolished altogether. The scheme details will now be developed further with future reports to Cabinet once full appraisals are available; the sites being considered are:

- Former Radcliffe High School
- Seedfield
- Millwood
- William Kemp Heaton
- Wheatfields Day Care Centre

1.12 The Council has very strong growth / regeneration ambitions to address housing needs, create jobs, and to generate resources (Rent, Council Tax, Business Rates) for the Council going forward.

1.13 Regeneration will be Borough wide, with an initial focus on Town Centres. Clearly housing development will be key to this approach, with a clear role for the Housing Revenue Account in taking these ambitions forward.

1.14 The Director of Growth and Infrastructure is leading Business Planning / Due Diligence work in respect of growth / regeneration, which will lead to a revised HRA Business Plan, which will be reported to Members when available.

1.15 This report is written on the basis of the Council's existing housing stock.

1.16 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.

1.17 The implementation of the Government's Welfare Reforms will have an increasing impact on the Housing Revenue Account and on the approximately 58% of tenants who are entitled to support with their rent and charges.

1.18 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 56% (57% at this time last year) of HRA rental income comes directly from Housing Benefit meaning that once the current welfare reforms have been fully implemented up to £16.4m of HRA income will have to be collected from tenants, presenting a large risk to income streams (based on the total assumed rental income for 2019/20).

1.19 There are currently around 700 tenants claiming Universal Credit however at this stage it is still difficult to assess the impact on the HRA for the coming year.

1.20 An updated impact assessment of the welfare reforms was undertaken through the Welfare Reform Board.

1.21 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 2019/20

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.

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.

2.5 At the Council meeting in February of last year the following proposal was agreed:

- rents were decreased by 1% for all HRA dwellings.

2.6 For 2019/20 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 as follows:

Estimated rental income lost over 4 year period 2016/17 – 2019/20	
Impact of 1% reduction on base rents	£2,986,000
Impact of not applying CPI plus 1% increases	£6,425,300
Total potential resources lost from HRA	**£9,411,300**

2.8 It has been confirmed that following the period of rent reductions there will be a return to the previous rent policy for a period of at least 5 years i.e. CPI plus 1% will apply from 2020/21.

2.9 The policy of reletting dwellings at Target rents, which came into effect in April 2016, has resulted in 325 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 £6.17 which equates to approximately £0.100m in a full year.

2.10 Bury's rents are currently collected on a 50 week basis with 2 non-collection weeks in December. 2019/20 will be a 53 week year therefore it is proposed that there be an additional non-collection week at the beginning of 2019/20.

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

2.12 The following 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 Social Rent Formula dwellings.

HRA Social Rent Formula dwellings

TYPE	NUMBER OF BEDROOMS	VALUATION AT JAN' 1999 VALUES	RENT 2018/19	PROPOSED RENT 2019/20	INCREASE / (DECREASE) OVER ACTUAL 2018/19 RENT	
		£	£	£	£	%
Bed-sit	0	23,235	61.11	60.50	(0.61)	(1.0)
Bungalow	1	30,725	68.60	67.91	(0.69)	(1.0)
Flat	1	28,321	67.68	67.00	(0.68)	(1.0)
House	1	29,467	69.04	68.35	(0.69)	(1.0)
Bungalow	2	39,487	79.98	79.18	(0.80)	(1.0)
Flat	2	29,616	74.18	73.44	(0.74)	(1.0)
House	2	34,581	76.29	75.53	(0.76)	(1.0)
Maisonette	2	32,132	76.30	75.54	(0.76)	(1.0)
Flat	3	29,858	78.86	78.07	(0.79)	(1.0)
House	3	37,520	83.57	82.73	(0.84)	(1.0)
Maisonette	3	33,853	82.56	81.73	(0.83)	(1.0)
House	4/6	38,496	90.62	89.72	(0.90)	(1.0)
		32,451	**74.55**	**73.81**	**(0.74)**	**(1.0)**

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

2.13 Affordable rents for properties acquired and developed are set on an individual property basis at 80% of the assessed Market Rent. For those properties that are tenanted before the end of this financial year a 1% reduction will apply for 2019/20.

2.14 There are currently 252 HRA owned garages (of which 147 are currently let). Garages are charged for at the rate of £6.93 per week (50 weeks). The last increase was in April 2018. It is proposed that the charge is increased by 3.4% from April, in line with September CPI plus 1%; this results in a weekly increase of £0.24 giving a rate of £7.17 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 2019/20 as shown below.

	Current Charge **£**	**Proposed Charge 2019/20** **£**
Sheltered schemes (other than Extra Care)	11.13	11.51
Extra Care schemes (Falcon House/Griffin House)	21.37	22.10

3.1.5 The proposed increase is 3.4% being September CPI plus 1%; this increase is in line with the current Homes & Communities Agency Rent Standard guidance and our established policy.

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 2019/20. 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 2019/20.

3.2 Sheltered Amenity Charges

3.2.1 The Sheltered Amenity Charges were increased by 4.0% for 2018/19. It is proposed that the current charges are increased by 3.4% from the first rent week in April 2019; this being September CPI plus 1% in line with current guidance and our established policy.

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:-

	Current Charge **£**	**Proposed Charge 2019/20** **£**
Clarkshill	17.27	17.86
Elms Close	2.02	2.09
Falcon House	10.09	10.43
Griffin House	9.79	10.12
Harwood House	19.59	20.26
Moorfield	22.42	23.18
Mosses House	17.79	18.39
Stanhope Court	9.03	9.34
Taylor House	20.01	20.69
Top O'th Fields 1	19.29	19.95
Waverley Place	21.21	21.93
Wellington House	28.68	29.66

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 Net impact of changes in Sheltered Charges and rent reductions

3.3.1 Appendix 2 details the total Sheltered Management, Support and Amenity Charges for each scheme alongside the average reduction in weekly rent at each scheme. Those schemes where there is no amenity charge (or only a small one) will see a net reduction in the average weekly charges. The other schemes will see an average net weekly increase ranging between £0.10 and £0.67 (£5.00 to £33.50 for the full year).

3.4 Sheltered Heating Charges

3.4.1 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.

3.4.2 At the Council meeting in February of last year charges were reduced by 20% for 2018/19. The charges are based on expected contract prices and estimated levels of consumption. On this basis it is proposed that the charges are reduced on an individual scheme basis for 2019/20.

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

	Present Charge £	**Proposed Charge £**	**Proposed Increase/ (Decrease) %**
Taylor House	11.83	11.00	(7)
Clarks Hill	7.98	7.58	(5)
Harwood House	11.10	9.44	(15)

3.4.4 Heating Charges are not eligible for Housing Benefit however many Sheltered Tenants will be eligible for Winter Fuel Payments; for winter 2018/19 the rates for these are £200 per household for those born on or before 5 November 1953, rising to £300 per household for those born on or before 23 September 1938 (payments may be different depending on the household circumstances).

3.5 Furnished Tenancies Charges

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

3.5.2 There are currently a maximum of 235 furnished tenancies available under the scheme; 208 properties are currently let as Furnished Tenancies.

3.5.3 Six Town Housing, who manage the furnished tenancies, intend to review the packages offered and tenancies available under the scheme to determine whether a wider range of options may have a positive impact on tenancy sustainment; any proposed changes to the current scheme will be subject to appropriate consultation and approval; this review will be carried out once the new Management Agreement with Six Town Housing has been finalised.

3.5.5 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 means that there is an increased risk of non-payment of these charges.

3.5.6 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.

3.5.7 However pending the outcome of the review of the scheme and to recognise the continued efficient procurement of furniture and fittings it is proposed that the charges are reduced by 10% for 2019/20.

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

	Present Charge £	Proposed Charge £
1 bed property	16.17	14.55
2 bed property	19.04	17.13
3 bed property	21.92	19.72

3.6 Fernhill Caravan Site Pitch Fees

3.6.1 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 residents 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 agreements alongside those of HRA rents and charges.

3.6.2 Residents 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.

3.6.3 At the Council meeting in February of last year charges were increased by 4.0% (September 2017 CPI plus 1%). It is proposed that the weekly charges for 2019/20 are increased by 3.4% in line with our established policy of September CPI plus 1%, therefore the current and proposed charges per plot per week are:

	Current Charge £	Proposed Charge 2019/20 £
Single Plot – pitch fee	57.81	59.78
Double Plot – pitch fee	78.78	81.46
Single Plot – water charge	6.52	6.74
Double Plot – water charge	9.05	9.36

4.0 HOUSING REVENUE ACCOUNT PERFORMANCE

4.1 Voids

4.1.1 The rent lost on empty properties is projected to be 1.19% over the course of 2018/19; this will mean an increase in rent income of approximately £3,000 as the original budget allowed for a void level of 1.2%.

4.1.2 The level of void loss for 2019/20 has been assumed at 1.1%, which means that recent performance will need to be maintained throughout the coming year; 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 2019/20 allows for this possibility as discussed in section 5.

4.1.3 If the target was to be bettered then this would result in an increase in rental income to the HRA which could either be carried forward into 2020/21 or targeted during the coming financial year for service developments.

4.1.4 Appendix 3 details the loss or increase in rental income at different void levels if the 1.1% is not achieved in 2019/20.

4.2 Rent Arrears

4.2.1 The opening arrears and current levels for 2018/19 are shown in the following table. The figures reflect the fact that around £94,000 of Former Tenant Arrears has been written off during 2018/19. It is anticipated that a further £20,000 could be written off before the end of 2018/19. All write offs are done in accordance with the Corporate Debt Write Off Policy as approved by the then Executive.

	Opening Arrears 2018/19 £	Current Position £	Increase/ (Reduction) in arrears £
Current Arrears	877,700	974,100	96,400
Former Tenant Arrears	563,300	648,500	85,200
	1,441,000	1,622,600	181,600

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 £1,134,600 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 2018/19 allowed for additional contributions to the provision totalling £473,300; £178,400 for uncollectable debts and £294,900 for the impact of benefit reforms. Looking at the arrears position, it is now estimated that the additional provision required in 2018/19 may only be £338,100. All things being equal this suggests that the Provision will stand at £1,358,700 at the end of 2018/19 against arrears of £1,622,600. 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 Anti-Poverty Strategy.

4.2.5 The 2019/20 estimates allow for additional contributions to the provision, totalling £466,400 (this is for social rent properties only):

- For uncollectable debts £174,900
  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 2019/20.

- For the impact of benefit reforms £291,500
  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 £416,000 of which £351,500 is debt over 1 year old. Of the debt over 1 year old around £283,000 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 £72,700 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 2019/20 the provision will stand at £203,800; this amount will be reduced by the amount of any further write-offs done before the end of 2019/20. In order to ensure that the Bad Debt Provision provides adequate cover for the expected level of debt any income from rechargeable repairs over and above the budgeted figure will be used to increase the bad debt provision at the end of the financial year. It is estimated that this should provide an additional contribution to the provision of at least £27,600 for 2018/19 and around £39,200 in 2019/20 bringing the forecast bad debt provision at 31 March 2020 to some £270,600 (covering 61% of the expected outstanding debt); the balance on the Bad Debt Provision will continue to 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 2019/20 HOUSING REVENUE ACCOUNT (HRA), HRA CAPITAL RESOURCES AND THE HRA WORKING BALANCE

5.1 2019/20 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 There is provision within the Housing and Planning Act for enforced payments from the HRA equating to an assessment of expected sales of higher value void

properties; the government has confirmed that there are now no current plans to enact this.

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 2019/20 is currently being reviewed in light of the review of Housing Services. The HRA Estimates for 2019/20 assume the Management Fee to be £13,058,600 this being the current year's figure; any changes to this figure will impact on the level of HRA balances.

- Springs Tenant Management Cooperative (TMO) are 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.

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.

5.1.6 Work is currently taking place to assess eligible expenditure within the Communities & Wellbeing Directorate, that could be charged to the HRA during 2019/20. This work is ongoing, and currently not factored into the figures in this report. Once completed, detailed proposals will be agreed between the Executive Director (Communities & Wellbeing) and the s151 Officer. Details will be clearly outlined in HRA monitoring reports produced during 2019/20.

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 Cabinet at its meeting on 31st January last year approved the Asset Management Strategy for the Public Housing stock 2018-21 and endorsed a 3 year Investment Plan of £9.830m per annum.

5.2.4 This level of investment is affordable and sustainable therefore it has been assumed that the resources made available from the HRA for capital expenditure should be £9.830m for 2019/20.

5.2.5 These resources will provide for specific capital schemes (those for 2019/20 are listed in Appendix 4), Disabled Facilities Adaptations and general capital expenditure such as essential renewals arising when properties become vacant and structural works.

5.2.6 Approval of the Capital Programme forms 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 £
2018/19	7,936	793,600
2019/20	7,918	791,800
2020/21	7,863	786,300

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 2019/20 the HRA balances should not be allowed to fall below **£1,040,000.**

Councillor Eamonn O'Brien,
Cabinet Member for Finance and Housing

Contact Details:-

Stephen Kenyon, Interim Executive Director of Resources and Regulation (Tel: 0161 253 5002)

E-mail : s.kenyon@bury.gov.uk

Draft Housing Revenue Account 2019/20

APPENDIX 1

HOUSING REVENUE ACCOUNT

	2018/19		2019/20
	Original Estimate	Revised Estimate	Original Estimate
	£	£	£
INCOME			
Dwelling rents	29,206,600	29,184,900	29,372,400
Non-dwelling rents	195,600	192,900	194,600
Heating charges	39,000	38,800	35,300
Other charges for services and facilities	935,900	965,500	921,800
Contributions towards expenditure	34,900	48,800	45,700
Total Income	30,412,000	30,430,900	30,569,800
EXPENDITURE			
Repairs and Maintenance	6,870,100	6,867,600	6,898,300
General Management	7,028,800	7,358,100	7,339,000
Special Services	1,172,900	1,155,500	1,325,100
Rents, rates, taxes and other charges	111,400	(75,000)	50,000
Increase in provision for bad debts - uncollectable debts	178,400	178,100	186,000
Increase in provision for bad debts - impact of Benefit Reform	294,900	295,400	291,500
Cost of Capital Charge	4,625,600	4,686,100	4,848,700
Depreciation of fixed assets - council dwellings	8,230,800	8,007,000	7,900,000
Depreciation of fixed assets - other assets	51,100	43,600	43,600
Debt Management Expenses	40,600	40,600	40,600
Contribution to/(from) Business Plan Headroom Reserve	107,700	(1,713,900)	(505,300)
Total Expenditure	28,712,300	26,843,100	28,417,500
Net cost of services	(1,699,700)	(3,587,800)	(2,152,300)
Amortised premia / discounts	(7,700)	(7,700)	0
Interest receivable - on balances	(47,100)	(31,000)	(27,200)
Interest receivable - on loans (mortgages)	0	(300)	(300)
Net operating expenditure	(1,754,500)	(3,626,800)	(2,179,800)
Appropriations			
Appropriation relevant to depreciation and MRA			
Housing set aside (Principal repayments on new developments)	0	0	177,000
Revenue contributions to capital	1,744,500	3,616,800	1,992,800
(Surplus) / Deficit	**(10,000)**	**(10,000)**	**(10,000)**
Working balance brought forward	**(1,020,000)**	**(1,020,000)**	**(1,030,000)**
Working balance carried forward	**(1,030,000)**	**(1,030,000)**	**(1,040,000)**

APPENDIX 2

Sheltered Support and Amenity Charges
Current charges 2018/19 and proposed charges 2019/20

Scheme	Management Charge 2018/19 £	Support Charge 2018/19 £	Amenity Charge 2018/19 £	**Total Charges 2018/19 £**	Proposed Management Charge 2019/20 £ 3.4%	Proposed Support Charge 2019/20 £ 0%	Proposed Amenity Charge 2019/20 £ 3.4%	**Total Proposed Charges 2019/20 £**	**Increase over current charges £**	Average reduction in weekly rent 2019/20 £	**Net average weekly increase (decrease) £**
Beech Close	11.13	8.33		**19.46**	11.51	8.33		**19.84**	**0.38**	(0.72)	**(0.34)**
Chelsea Avenue	11.13	8.33		**19.46**	11.51	8.33		**19.84**	**0.38**	(0.68)	**(0.30)**
Clarkshill	11.13	8.33	17.27	**36.73**	11.51	8.33	17.86	**37.70**	**0.97**	(0.64)	**0.33**
Elms Close	11.13	8.33	2.02	**21.48**	11.51	8.33	2.09	**21.92**	**0.45**	(0.71)	**(0.26)**
Falcon House	21.37		10.09	**31.46**	22.10	0.00	10.43	**32.53**	**1.07**	(0.67)	**0.40**
Griffin Close	11.13	8.33		**19.46**	11.51	8.33		**19.84**	**0.38**	(0.66)	**(0.28)**
Griffin House	21.37		9.79	**31.16**	22.10	0.00	10.12	**32.22**	**1.06**	(0.67)	**0.39**
Hampson Fold	11.13	8.33		**19.46**	11.51	8.33		**19.84**	**0.38**	(0.70)	**(0.32)**
Harwood House	11.13	8.33	19.59	**39.05**	11.51	8.33	20.26	**40.10**	**1.04**	(0.61)	**0.43**
Limegrove	11.13	8.33		**19.46**	11.51	8.33		**19.84**	**0.38**	(0.66)	**(0.28)**
Maple Grove	11.13	8.33		**19.46**	11.51	8.33		**19.84**	**0.38**	(0.73)	**(0.35)**
Moorfield	11.13	8.33	22.42	**41.88**	11.51	8.33	23.18	**43.02**	**1.14**	(0.69)	**0.45**
Mosses House	11.13	8.33	17.79	**37.25**	11.51	8.33	18.40	**38.24**	**0.98**	(0.58)	**0.40**
Stanhope Court	11.13	8.33	9.03	**28.49**	11.51	8.33	9.33	**29.17**	**0.69**	(0.59)	**0.10**
Taylor House	11.13	8.33	20.01	**39.47**	11.51	8.33	20.69	**40.53**	**1.06**	(0.62)	**0.44**
Top O'th Fields 1	11.13	8.33	19.29	**38.75**	11.51	8.33	19.95	**39.78**	**1.03**	(0.73)	**0.30**
T O'th F 2 (Welcomb Walk)	11.13	8.33		**19.46**	11.51	8.33		**19.84**	**0.38**	(0.78)	**(0.40)**
Waverley Place	11.13	8.33	21.21	**40.66**	11.51	8.33	21.93	**41.76**	**1.10**	(0.63)	**0.47**
Wellington House	11.13	8.33	28.68	**48.14**	11.51	8.33	29.66	**49.49**	**1.35**	(0.68)	**0.67**

APPENDIX 3

HRA VOID LEVEL OPTIONS - 2019/20

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

VOIDS %	RENT LOSS £	DIFFERENCE FROM ASSUMED VOIDS LEVEL (1.1%) £
0.40	115,600	-202,300
0.50	144,500	-173,400
0.60	173,400	-144,500
0.70	202,300	-115,600
0.80	231,200	-86,700
0.90	260,100	-57,800
1.00	289,000	-28,900
1.10	317,900	0
1.20	346,800	28,900
1.30	375,700	57,800
1.40	404,600	86,700
1.50	433,500	115,600
1.60	462,400	144,500
1.70	491,300	173,400
1.80	520,200	202,300

APPENDIX 4

Proposed Specific Capital Projects 2019/20

Internal Schemes

Chapelfield Kitchens & Bathrooms
Chesham Kitchens & Bathrooms
Bolton Rd Turks Kitchens & Bathrooms
Freetown Kitchens, Bathrooms & Heating
Outwood Kitchens, Bathrooms & Heating
Bent Hill Kitchens & Bathrooms
Springs Kitchens & Bathrooms
Top o'th Fields heating

External Schemes

Polefield Chimneys
Victoria Windows & Doors
Elms Roofing

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 45 properties throughout the year would cost around £74k.	H 100 %	Budget 2019/20 assumes 60 sales. Current sales levels are around this level but the level of applications can be influenced by outside factors such as the general economy or promotion of	85	85
Higher level of void (empty) properties - increase loss of rental income	A 0.7% increase in void loss costs the HRA £202k in a full year.	H 100 %	Budget 2019/20 assumes 1.1% void rental loss. Whilst current peformance is meeting this target it may prove difficult to maintain.	200	200
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 £6.11.	H 100 %	The numbers of properties moving to target rent will depend on how many properties become void during the year and whether their rents are already at target level	50	50
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 2019/2020 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 benefit changes. However the level of arrears can be volatile and the timing and impact of benefit changes is still estimated	295	295
Interest rates - Cost of Capital	Under self financing the risks associated with changes in interest rates impact directly on the HRA. A 0.4% increase across the assumed HRA borrowing (excluding the loans taken for self financing) would cost £232k.	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 if it picks up a larger share of existing higher interest rate debt or when pre self financing loans are replaced. Borrowing for new developments could be at a higher rate than when the	235	140

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 3 year capital investment programme for 2018-2021 was determined on the basis of the resources required to maintain the stock at a Decent Homes Plus level however it is felt prudent to allow for the possibility of any unforeseen or urgent	200	120
Increase in Management Fee paid to Six Town Housing - pay costs	Six Town Housing can request additional pay costs as an addition to the Management Fee however this is subject to negotiation with the Council (it is not an automatic payment).	L 60%	The STH Management Fee has been frozen at the 2017/18 level until the outcome of the current review of Housing Services therefore it is felt prudent to allow for a 2% increase over and above that provided for in the 2019/2019 budget.	130	80
Other HRA expenditure	There are costs and charges within the HRA that are outside of the Management Fee paid to Six Town Housing; 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% higher than assumed then this	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 mad.	40	30
Springs Tenant Management Co-operative - potential progress towards self financing TMO.	As these proposals progress there may be costs that fall on the HRA associated with this.	H 100 %	The 2019/20 budget does not contain any provision for these costs as the timing and extent of such costs has not yet been fully	40	40
				1275	**1040**

Agenda Item 8

REPORT FOR DECISION

Bury COUNCIL

Agenda Item	

DECISION OF:	**OVERVIEW & SCRUTINY COMMITTEE** **CABINET** **COUNCIL**
DATE:	**13 FEBRUARY 2019** **20 FEBRUARY 2019** **20 FEBRUARY 2019**
SUBJECT:	**TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2019/20**
REPORT FROM:	**CABINET MEMBER FOR FINANCE & HOUSING**
CONTACT OFFICER:	**STEPHEN KENYON, INTERIM EXECUTIVE DIRECTOR OF RESOURCES AND REGULATION**
TYPE OF DECISION:	**COUNCIL**
FREEDOM OF INFORMATION/STATUS:	The report is for publication
SUMMARY:	The report sets out the suggested Strategy for 2019/2020 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 2019/20 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) 0.75% for the financial year 2019/20, 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 2019/20 • 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: STEVE KENYON**

Chief Executive/ Senior Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	Leader / Finance		
Scrutiny Committee		Committee	Council
Overview & Scrutiny 13/2/19		Cabinet 20/2/19	Council 20/2/19

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, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and invetment operations ensure liquidity or the ability to meet spending commitmants as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

1.5 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."

1.6 Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is being reported separately.

1.7 Reporting requirements

1.7.1 Capital Strategy

1.7.1.1 The CIPFA revised Prudential and Treasury Management Code require, for 2019/20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:-

- A high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services,
- An overview of how the associated risk is managed,
- The implications for future financial sustainability

1.7.1.2 The aim of this capital strategy is to ensure that all elected members on the full council understand the overall long-term polocy objectives and resulting capital strategy requirements, governanace procedues and risk appetite.

1.7.1.3 This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity

1.7.1.4 Where a physical asset is being bought, details of market research, advisers used (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

1.7.1.5 Where the Council has borrowd to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

1.7.1.6 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Strategy.

1.7.1.7 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

1.7.2 Treasury Management reporting

1.7.2.1 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.

1.7.2.2 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.

1.8 In Year Monitoring Arrangements

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

1.8.2 In 2018/19 the average rate of return on investments is 0.71% as at 31st December 2018.

1.9 Treasury Management Strategy for 2019/20

1.9.1 The strategy for 2019/20 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

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
- the policy on use of external service providers.

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

1.10 **Training**

1.10.1 The CIPFA Code requires the responsible officer to ensure that members with responsibilty for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training has been undertaken by members in 2017/18 and further training will be arranged as required. The training needs of treasury management officers are periodically reviewed.

1.11 Treasury Management consultants

1.11.1 The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

1.11.2 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. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisors.

1.11.3 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.

1.11.4 The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisers, and the Council uses Bilfinger GVA in relation to this activity.

2.0 THE CAPITAL PRUDENTIAL INDICATORS 2019/20 – 2021/22

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	2017/18 Actual £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Non-HRA	20,100	27,857	37,254	5,311	1,200
HRA	7,371	12,015	9,830	9,830	10,000
Commercial activities / non-financial investments *	0	0	0	0	0
Total	**27,471**	**39,871**	**47,084**	**15,141**	**11,200**

*Commercial activities / non-financial investments relate to areas such as capital expenditure on investment properties, loans to third parties etc.

2.2.2 Other long-term liabilities – The above financing need excludes other long-term liabilities, such a PFI and leasing arrangements that already include borrowing instruments.

2.2.3 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of Capital Expenditure	2017/18 Actual £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Capital receipts	3,035	3,170	783	0	0
Capital grants	11,415	9,738	23,787	1,423	0
Capital reserves	6,945	13,837	11,190	11,018	10,000
Revenue	943	550	0	0	0
Total	**22,338**	**27,296**	**35,761**	**12,441**	**10,000**
Net financing need	**5,133**	**12,575**	**11,323**	**2,700**	**1,200**

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 through a revenue or capital resource, 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, and so charges the economic consumption of capital assets as they are used.

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	2017/18 Actual £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
CFR – non HRA	119,980	128,753	136,099	134,675	141,779
CFR – HRA	118,784	118,784	118,784	118,784	108,784
CFR - Commercial activities / non-financial investments	8,313	8,313	8,313	8,313	8,313
Total CFR	**247,077**	**255,850**	**263,196**	**261,772**	**258,876**
Movement in CFR	**1,357**	**8,773**	**7,346**	**-1,424**	**-2,896**

2.3.4 A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures shown in 2.2 and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Authority's remaining activity.

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 MHCLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement for the year 2019/20:-

- 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.

2.4.3 MRP Overpayments – A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31st March 2019 the total VRP overpayments were £3.780m.

2.4.4 The Council has recently commissioned a MRP review from Link Consultancy. Any recommendations raised by this review will be reported once they have been assessed,

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 2019/20 the Council's current treasury portfolio position (at nominal value) is detailed below:

		31st March 2018			Forecast 31st March 2019		
		Principal		Avg.	Principal		Avg.
		£0	£0	Rate	£0	£0	Rate
Fixed rate funding							
	PWLB Bury	131,453			138,853		
	PWLB Airport	554			11,828		
	Market Bury	60,500	192,507		44,000	194,681	
Variable rate funding							
	PWLB Bury	0			0		
	Market Bury	0	0		0	0	
Temporary Loans / Bonds		2,003	2,003		7,503	7,503	
Total Debt			**194,510**	**3.96%**		**202,184**	**3.96%**
Total Cash Investments			**21,250**	**0.24%**		**7,589**	**0.71%**
Total Investment Properties			**8,313**	**5.10%**		**8,313**	**8.29%**

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

£m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
External Debt					
Debt at 1 April	195,682	194,510	202,184	213,507	216,207
Expected change in Debt	-1,172	7,674	11,323	2,700	1,200
Actual gross debt at 31 March	**194,510**	**202,184**	**213,507**	**216,207**	**217,407**
The Capital Financing Requirement	**247,078**	**255,851**	**263,196**	**261,772**	**258,876**
Under / (over) borrowing	**-52,568**	**-53,667**	**-49,690**	**-45,565**	**-41,470**

3.2.2 The forecast accumulated capital financing requirement at the end of 2018/19 is £255.8m. The forecast borrowing at the end of 2018/19 is £202.2m meaning that the Authority is under borrowed by £53.6 m.

3.2.3 The cash investment portfolio after the Capital Programme has been spent during 2018/19 is estimated to be around £5.0m. 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 2018/19 is 0.71% against the 3 month LIBID investment benchmark of 0.75%.

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 and the ability to fund under-borrowing by other cash resources.

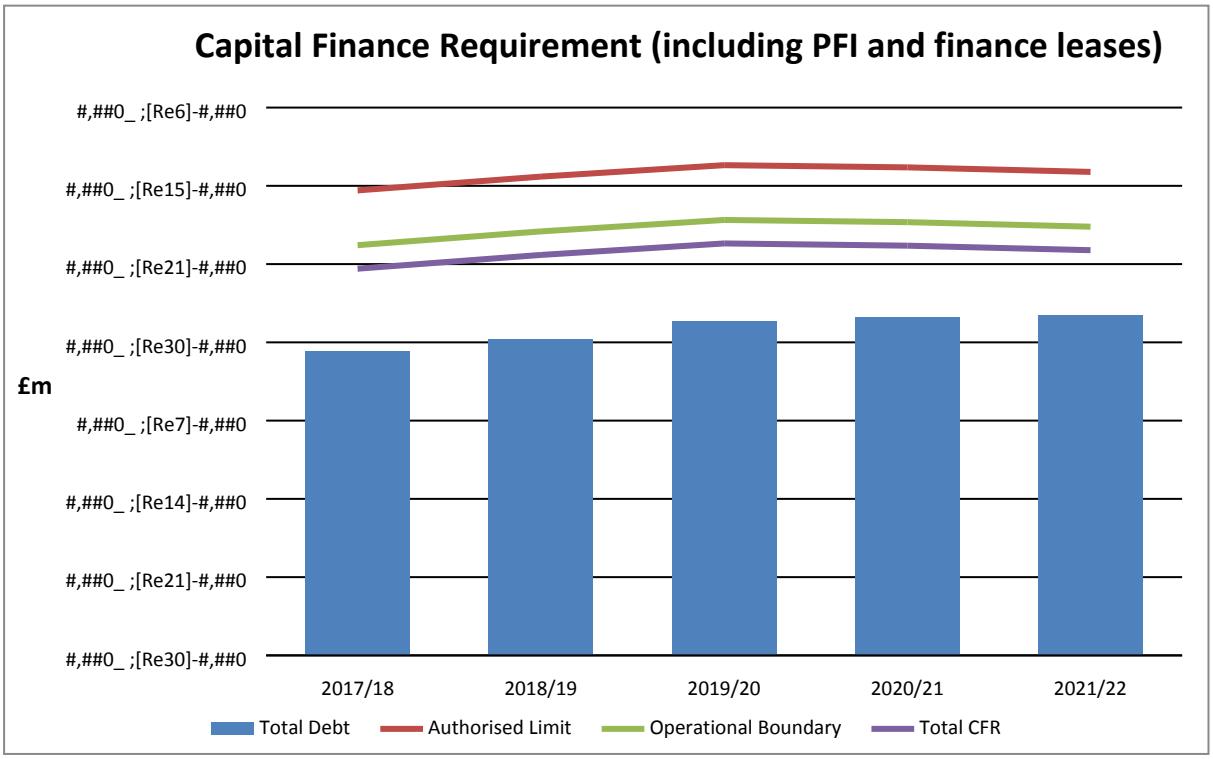
Operational boundary	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Borrowing	255,900	263,200	261,800	258,900
Other long term liabilities	5,000	5,000	5,000	5,000
Commercial activities / non - financial investments	10,000	10,000	10,000	10,000
Total	**270,900**	**278,200**	**276,800**	**273,900**

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	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Borrowing	290,900	298,200	296,800	293,900
Other long term liabilities	5,000	5,000	5,000	5,000
Commercial activities / non - financial investments	10,000	10,000	10,000	10,000
Total	**305,900**	**313,200**	**311,800**	**308,900**

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. The HRA Debt cap was abolished from October 2018.



3.4 Prospects for interest rates

3.4.1 The Council has appointed Link 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.

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

3.4.2 Given the flow of generally positive economic statistics after the quarter ended 30th June the Monetary Policy Committee, (MPC), increased the Bank Rate on 2nd August from 0.50% to 0.75%, the first increase in Bank Rate above 0.5% since the financial crash. Growth is, however, expected to weaken during the last quarter of 2018. It is unlikely that the MPC would increase the Bank Rate in February 2019, ahead of the deadline in March for Brexit. The next increase in Bank Rate is therefore forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2% in February 2022.

3.4.3 The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets.

3.4.4 Rising bond yields in the US have caused some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure has been dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

3.4.5 From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

3.4.6 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.

3.5 Investment and borrowing rates

3.5.1 Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.

3.5.2 Borrowing interest rates have been volatile so far in 2018/19 and have increased modestly since the summer. 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 the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

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

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 2019/20 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 an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to 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 Policy on borrowing in advance of need

3.7.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.7.2 In determining whether borrowing will be undertaken in advance of need the Council will:

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets, have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

3.8 Debt rescheduling

3.8.1 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).

3.8.2 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).

3.8.3 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.

3.8.4 All rescheduling will be reported to the Council, at the earliest meeting following its action.

4.0 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – management of risk

4.1.1 The MHCLG and CIPFA have extended the meaning of "investments" to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, ar covered in the Capital Strategy, (a separate report).

The Council's investment policy has regard to the following:-

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code").
- CIPFA Treasury Management Guidance Notes 2018.

The Council's investment priorities will be security first, portfolio liquidity second and then yield (return).

4.1.2 The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:-

- Minimum acceptable **credit citeria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.
- **Other information**: 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 achieve this consideration the Council will engage with it's advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings..

- **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.
- This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 5.4 under the categories of "specified" and "non-specified" investments.
    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
    - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
- This authority will set a limit for the amount of its invetments whih are invested for **longer than 365 days** (see paragraph 4.4.5)
- Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see Appendix 3)
- This authority has engaged **external consultants** (see paragraph 1.11), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
- All investments will be denominated in **sterling**.
- As a result of the change in accounting standards for 2018/19 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.)

4.1.3 However, this authority will also pursue **value for** money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investments performance (see paragraph 4.4). Regular monitoring of investment performance will be carried out during the year.

4.1.6 The above criteria are unchanged from 2018/19.

4.2 Creditworthiness policy

4.2.1 This Council applies the creditworthiness service provided by Link 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 Ultra Short Dated Bond Funds with a credit score of 1.25
- Light Pink 5 years for Ultra Short Dated Bond Funds 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 The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

4.2.4 Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

4.2.4 All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

4.2.5 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 any external support for banks to help support its decision making process.

	Colour (and long term rating where applicable)	Time Limit
Banks *	**yellow**	**5yrs**
Banks	**purple**	**2 yrs**
Banks	**orange**	**1 yr**
Banks – part nationalised	**blue**	**1 yr**
Banks	**red**	**6 mths**
Banks	**green**	**100 days**
Banks	**No colour**	**Do not use**
DMADF	**UK sovereign rating**	**6 months**
Local authorities	**n/a**	**5yrs**
Housing associations	**Colour bands**	**As per colour band**
	Fund rating	**Time Limit**
Money Market Funds CNAV	**AAA**	**liquid**
Money Market Funds LVNAV	**AAA**	**liquid**
Money Market Funds VNAV	**AAA**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.25	**Dark pink / AAA**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.50	**Light pink / AAA**	**liquid**

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). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

4.4.2 **Investment returns expectations.** Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

4.4.3 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

	Now
2018/19	0.75%
2019/20	1.00%
2020/21	1.50%
2021/22	1.75%
2022/23	1.75%
2023/24	2.00%
Later years	2.50%

4.4.3 The overall balance of risks to economic growth in the UK is probably neutral.

4.4.4 The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

4.4.5 **Investment treasury indicator and limit** - total principal funds invested for greater than 365 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 & 365 days			
£m	**2018/19**	**2019/20**	**2020/21**
Principal sums invested > 364 & 365 days	£10m	£10m	£10m

(This takes account of the proposed change in the CIPFA Treasury Code from a 364 day limit to 365 days.)

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 Eamonn O'Brien
Cabinet Member for Finance and Housing

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

Steve Kenyon, Interim Executive Director of Resources & Regulation,
Tel: 0161 253 5002
e-mail:s.kenyon@bury.gov.uk

APPENDIX 1: Interest Rate Forecasts 2018 – 2021

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

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
Bank Rate													
Link Asset Services	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
Capital Economics	0.75%	1.00%	1.25%	1.50%	1.70%	1.75%	2.00%	2.00%	-	-	-	-	-
5yr PWLB Rate													
Link Asset Services	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
Capital Economics	2.03%	2.15%	2.40%	2.65%	2.70%	2.75%	2.80%	2.85%	-	-	-	-	-
10yr PWLB Rate													
Link Asset Services	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
Capital Economics	2.43%	2.55%	2.80%	3.05%	3.05%	3.05%	3.05%	3.05%	-	-	-	-	-
25yr PWLB Rate													
Link Asset Services	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	2.96%	3.08%	3.33%	3.58%	3.53%	3.48%	3.43%	3.38%	-	-	-	-	-
50yr PWLB Rate													
Link Asset Services	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
Capital Economics	2.78%	2.90%	3.15%	3.40%	3.40%	3.40%	3.40%	3.40%	-	-	-	-	-

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/ £ limit per institution	Max. maturity period
DMADF – UK Government	N/A	**100%**	**6 months**
UK Government gilts	UK sovereign rating		12 months
UK Government Treasury bills	UK sovereign rating		12 months
Bonds issued by multilateral development banks	AAA		6 months
Money Market Funds CNAV	AAA	100%	Liquid
Money Market Funds LVAV	AAA		Liquid
Money Market Funds VNAV	AAA		Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	100%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	Liquid
Local authorities	N/A	100%	12 months
Term deposits with housing associations	Blue Orange Red Green No Colour		12 months 12 months 6 months 100 days Not for use
Term deposits with banks and building societies	Blue Orange Red Green No Colour		12 months 12 months 6 months 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour		12 months 12 months 6 months 100 days Not for use
Gilt funds	UK sovereign rating		

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
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-

- Belgium
- Qatar

(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
Head of 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	Head of Management Accountancy

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.

The above list of specific responsibilities of the S151 officer in the 2017 Treasury Management Code has not changed. However, implicit in the changes in both codes, is a major extension of the functions of this role, especially in respect of non-financial investments, (which CIPFA has defined as being part of treasury management). *(Officers are recommended to decide whether to extend this section to include the following examples): -*

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe *(say 20+ years – to be determined in accordance with local priorities. Please also note that CIPFA has provided advice that it recognises that it may be too late in the current budget round for 2018/19 for many local authorities to produce a capital strategy this year.)*
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees *(We are unclear as to whether CIPFA requires this to be implemented in 2018/19. We are concerned that many local authorities could have difficulty in complying fully with this requirement at this late stage in the 2018/19 budget cycle.)*
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following *(TM Code p54): -*
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*

- *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*

- *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*

- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*